HEBREW FREE LOAN SOCIETY, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hebrew Free Loan Society, Inc. (the "Society"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Society, Inc. as of June 30, 2017 and 2016, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the accompanying analysis of loan activity on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

Report on Summarized Comparative Information

We have previously audited Hebrew Free Loan Society, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2016. In our opinion, the summarized comparative information presented herein on pages 4 and 6 for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
November 6, 2017

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,314,603	$ 177,639
Investments	8,471,258	9,194,024
Loans receivable (net of allowance for doubtful loans of approximately $310,000 and $294,000, respectively)	12,958,064	11,056,821
Contributions receivable	22,822	72,803
Prepaid expenses and other assets	15,468	14,141
Furniture and equipment, net	2,887	3,404
TOTAL ASSETS	$ 22,785,102	$ 20,518,832
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 71,826	$ 66,841
Advances payable	47,488	43,453
Line of credit and loans payable	2,198,326	1,343,327
Total liabilities	2,317,640	1,453,621
Commitments and contingencies (Notes 5, 6 and 9)		
Net assets:		
Unrestricted net assets:		
Undesignated general fund	11,551,759	10,331,865
Board-designated quasi-endowment fund	4,878,464	4,711,135
Total unrestricted net assets	16,430,223	15,043,000
Temporarily restricted net assets	507,991	552,963
Permanently restricted net assets	3,529,248	3,469,248
Total net assets	20,467,462	19,065,211
TOTAL LIABILITIES AND NET ASSETS	$ 22,785,102	$ 20,518,832

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Summarized Total
Operating revenues, income (loss) and other support:					
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):					
Basic grant	$ 147,624	$ -	$ -	$ 147,624	$ 148,624
Program grants	136,793	-	-	136,793	154,800
Administrative fees	87,000	-	-	87,000	76,000
	371,417	-	-	371,417	379,424
Contributions	1,406,214	23,679	-	1,429,893	717,785
Special event revenue:					
Special event income $314,078					
Less: direct costs 91,852					
Net special event income	222,226	-	-	222,226	98,899
In-kind rent (Note 6)	115,000	-	-	115,000	119,000
Investment income (loss):					
Board-designated spending rate	370,535	-	-	370,535	260,088
Other investment income (loss)	470	-	-	470	(98,955)
Program service income	150	-	-	150	12,473
Other program grants	2,744	-	-	2,744	117,976
Other administrative fees	68,787	-	-	68,787	58,032
Bad debt recovery	-	-	-	-	13,729
Total operating revenues, income and other support	2,557,543	23,679	-	2,581,222	1,678,451
Operating expenses:					
Program services	1,381,387	-	-	1,381,387	1,311,550
Management and general	308,195	-	-	308,195	360,169
Fundraising	183,836	-	-	183,836	212,501
Total operating expenses	1,873,418	-	-	1,873,418	1,884,220
Excess (deficiency) of operating revenues, income and other support over operating expenses	684,125	23,679	-	707,804	(205,769)
Non-operating revenues, expenses, income and other support:					
Contributions	62,566	20,000	60,000	142,566	849,343
Investment income (loss)	551,881	-	-	551,881	(491,029)
Net assets released from restrictions	88,651	(88,651)	-	-	-
Total non-operating revenues, expenses, income (loss) and other support	703,098	(68,651)	60,000	694,447	358,314
Change in net assets	1,387,223	(44,972)	60,000	1,402,251	152,545
Net assets, beginning of year	15,043,000	552,963	3,469,248	19,065,211	18,912,666
NET ASSETS, END OF YEAR	$ 16,430,223	$ 507,991	$ 3,529,248	$ 20,467,462	$ 19,065,211

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, income and other support:					
United Jewish Appeal Federation of Jewish Philanthropies of New York, Inc. (FOJP):					
Basic grant		$ 148,624	$ -	$ -	$ 148,624
Program grants		154,800	-	-	154,800
Administrative fees		76,000	-	-	76,000
		379,424	-	-	379,424
Contributions		481,334	236,451	-	717,785
Special event revenue:					
Special event income	$143,809				
Less: direct costs	44,910				
Net special event income		98,899	-	-	98,899
In-kind rent (Note 6)		119,000	-	-	119,000
Investment income (loss):					
Board-designated spending rate		260,088	-	-	260,088
Other investment loss		(98,955)	-	-	(98,955)
Program service fees		12,473	-	-	12,473
Other program grants		117,976	-	-	117,976
Other administrative fees		58,032	-	-	58,032
Bad debt recovery		13,729	-	-	13,729
Total operating revenues, income (loss) and other support		1,442,000	236,451	-	1,678,451
Operating expenses:					
Program services		1,311,550	-	-	1,311,550
Management and general		360,169	-	-	360,169
Fundraising		212,501	-	-	212,501
Total operating expenses		1,884,220	-	-	1,884,220
Excess (deficiency) of operating revenues, (loss) income and other support over operating expenses		(442,220)	236,451	-	(205,769)
Non-operating revenues, expenses, income (loss) and other support:					
Contributions		765,043	-	84,300	849,343
Investment loss		(491,029)	-	-	(491,029)
Net assets released from restrictions		53,827	(53,827)	-	-
Total non-operating revenues, expenses, income (loss) and other support		327,841	(53,827)	84,300	358,314
Change in net assets		(114,379)	182,624	84,300	152,545
Net assets, beginning of year		15,157,379	370,339	3,384,948	18,912,666
NET ASSETS, END OF YEAR		$ 15,043,000	$ 552,963	$ 3,469,248	$ 19,065,211

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services	Supporting Services					
	Loan Programs	Management and General	Fundraising	Total Supporting Services	Special Event Direct Costs	2017 Total	2016 Total
Salaries	$ 680,428	$ 182,518	$ 112,909	$ 295,427	$ -	$ 975,855	$ 911,531
Payroll taxes and benefits	159,653	50,799	31,447	82,246	-	241,899	251,397
Professional fees	766	34,363	4,857	39,220	-	39,986	40,533
Consultants	7,260	-	-	-	-	7,260	45,912
Insurance	10,680	3,051	1,526	4,577	-	15,257	32,650
Computer expenses	64,057	7,536	3,768	11,304	-	75,361	127,398
Office supplies, expenses and equipment	18,672	5,335	2,667	8,002	-	26,674	28,814
Postage	5,603	1,281	2,517	3,798	-	9,401	8,992
Printing and publications	5,271	797	5,630	6,427	-	11,698	23,155
Telephone	8,391	2,397	1,198	3,595	-	11,986	11,493
Conferences, training and transportation	8,695	1,227	307	1,534	-	10,229	11,080
Occupancy (includes in-kind rent of $115,000 and $119,000 at June 30 2017 and 2016, respectively)	195,863	15,580	11,129	26,709	-	222,572	219,528
Catering, facility rental and entertainment	-	-	-	-	91,852	91,852	44,910
Depreciation	1,957	559	279	838	-	2,795	3,115
Bank fees and credit reports	25,887	-	-	-	-	25,887	22,774
Interest expense	80,968	-	-	-	-	80,968	54,724
Investment management fees	-	2,431	-	2,431	-	2,431	10,338
Marketing and communications	88,805	2,752	5,506	8,258	-	97,063	56,726
Training courses	1,581	-	-	-	-	1,581	32,738
Bad debts	16,000	-	-	-	-	16,000	-
Miscellaneous	850	-	96	96	-	946	1,660
	1,381,387	310,626	183,836	494,462	91,852	1,967,701	1,939,468
Investment management fees deducted from investment income	-	(2,431)	-	(2,431)	-	(2,431)	(10,338)
Special event expenses reported directly	-	-	-	-	(91,852)	(91,852)	(44,910)
TOTAL EXPENSES REPORTED BY FUNCTION	$ 1,381,387	$ 308,195	$ 183,836	$ 492,031	$ -	$ 1,873,418	$ 1,884,220

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

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

See accompanying notes to financial statements.

HEBREW FREE LOAN SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 1,402,251	$ 152,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(922,457)	356,059
Depreciation	2,795	3,115
Bad debt expense (recovery)	16,000	(13,729)
Decrease (increase) in assets:		
Contributions receivable	49,981	14,643
Prepaid expenses and other receivables	(1,327)	8,201
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	4,985	(22,653)
Advances payable	4,035	(70,169)
Net cash provided by operating activities	556,263	428,012
Cash flows from investing activities:		
Loans issued	(11,297,154)	(9,727,114)
Repayments of loans receivable	9,362,411	9,287,933
Purchase of investments	(553,277)	(1,375,558)
Proceeds from sale of investments	2,198,500	250,000
Purchase of fixed assets	(2,278)	(3,297)
Net cash used in investing activities	(291,798)	(1,568,036)
Cash flows from financing activities:		
Proceeds from loans payable	890,000	-
Principal payments on loans payable	(17,501)	(22,501)
Net cash provided by (used in) financing activities	872,499	(22,501)
Net increase (decrease) in cash and cash equivalents	1,136,964	(1,162,525)
Cash and cash equivalents - beginning of year	177,639	1,340,164
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,314,603	$ 177,639
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 80,968	$ 54,724
Supplemental disclosures of non-cash investing and financing activities:		
Forgiveness of loan receivable funded by loan payable	$ 17,500	$ 12,500

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. 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 ("GAAP") and are presented in accordance with accounting requirements for not-for-profit organizations. The Society classifies net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions.

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

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

Use of estimates

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

Cash and cash equivalents

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

Fair value measurements

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continued)

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

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

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

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

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

Contributions receivable

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

Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. Management determined that no allowances were required at June 30, 2017 and 2016.

Loans receivable

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

On a periodic basis, the Society evaluates its loans receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs and collections. At June 30, 2017 and 2016, the allowance for doubtful accounts was approximately $310,000 and $294,000, respectively.

Advances payable

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and equipment

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

Allocation of expenses

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

Revenue and support recognition

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

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

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

Non-operating revenues, expenses, gains and other support

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

Marketing and communications

Marketing and communications costs are expensed as incurred and were approximately $97,000 and $57,000 for the years ended June 30, 2017 and 2016, 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

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.

Summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Society has evaluated subsequent events through November 6, 2017, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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.

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2017	Valuation Technique
Money market funds	$ 25,000	$ -	$ -	$ 25,000	(a)
FJC Agency Loan Fund	-	-	10,000	10,000	(b)
UJA Federation - Pooled Investment Account	-	-	8,436,000	8,436,000	(b)
Total	$ 25,000	$ -	$ 8,446,000	$ 8,471,000	

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

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2016	Valuation Technique
Money market funds	$ 25,000	$ -	$ -	$ 25,000	(a)
FJC Agency Loan Fund	-	-	1,100,000	1,100,000	(b)
UJA Federation - Pooled Investment Account	-	-	8,069,000	8,069,000	(b)
Total	$ 25,000	$ -	$ 9,169,000	$ 9,194,000	

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

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

	2017	2016
Balance, beginning	$ 9,169,000	$ 8,399,000
Total income (losses) included in change in net assets	922,000	(356,000)
Purchases	553,000	1,350,000
Sales	(2,198,000)	(250,000)
Interest and dividends	3,000	36,000
Expenses	(3,000)	(10,000)
Balance, ending	$ 8,446,000	$ 9,169,000
The amount of total income (losses) for the period included in change in net assets attributable to the change in unrealized income (losses) relating to assets still held at the reporting date	$ 621,000	$ (718,000)

	2017	2016
Interest and dividends	$ 3,000	$ 36,000
Net realized and unrealized income (loss)	922,000	(356,000)
Investment management fees	(3,000)	(10,000)
	$ 922,000	$ (330,000)
Investment income (loss) included in operating revenues:		
Board-designated spending rate	$ 370,000	$ 260,000
Other investment income (loss)	-	(99,000)
Investment income (loss) included in non-operating revenues, expenses, income and other support	552,000	(491,000)
	$ 922,000	$ (330,000)

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

For the year ended June 30, 2016, the board agreed to allocate 5% of the value of the board-designated quasi endowment fund at the beginning of each of the years to operations, regardless of the actual performance. The value of the endowment was approximately $5,202,000 at July 1, 2015; therefore, approximately $260,000 was allocated to operating (investment) income from the PIA.

NOTE 3. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017	$ 8,436,000	$ -	Monthly - Annually	None	1 - 180 days

	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
UJA Federation - Pooled Investment Account at June 30, 2016	$ 8,069,000	$ -	Monthly - Annually	None	1 - 180 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 4. LOANS RECEIVABLE

The majority of loans receivable are supported by unsecured personal guarantees except for approximately $1,687,000 of special education loans, which are supported by unsecured not-for-profit guarantees.

NOTE 5. LINE OF CREDIT AND LOANS PAYABLE

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

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

During the years ended June 30, 2017 and 2016, $17,500 and $12,500, respectively, of Teacher Loans were forgiven, and ACF forgave corresponding amounts from the Society. The balances due at June 30, 2017 and 2016, were approximately $58,000 and $93,000, respectively.

NOTE 5. LOANS PAYABLE (CONTINUED)

The Society entered into a loan agreement with a foundation in July 2012 ("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* (6.50% at June 30, 2017 and 6.25% at June 30, 2016.) 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 balance on the Foundation Loan Agreement for each of the years ended June 30, 2017 and 2016, respectively, was $1,250,000 and $300,000 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 which 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 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, 2017, was $890,000.

Combined future minimum payments due are as follows:

Year Ending June 30:	ACF	Foundation	UJA	Total
2018	$ 58,000	$ -	$ -	$ 58,000
2019	-	-	890,000	890,000
2021	-	1,250,000	-	1,250,000
	$ 58,000	$ 1,250,000	$ 890,000	$ 2,198,000

NOTE 6. LEASE COMMITMENT

The Society rents office space under an operating lease that expires on June 30, 2020. The office space is leased from a real estate company that is affiliated with the family of a member and past president of the board of directors. Included in rent expense is an in-kind contribution of additional rent to adjust to the market value for similar office space, which amounted to approximately $115,000 and $119,000, respectively, for the years ended June 30, 2017 and 2016. Rent expense for the years ended June 30, 2017 and 2016, was approximately $223,000 and $220,000, respectively.

The minimum annual rental commitment is as follows:

Year Ending June 30:	Amount
2018	$ 53,000
2019	54,000
2020	55,000
	$ 162,000

NOTE 7. RESTRICTED NET ASSETS

The Society's temporarily restricted net assets are available to satisfy the following purposes as of June 30, 2017 and 2016:

	2017	2016
Children with special needs	$ 268,000	$ 248,000
Women's executive circle new start loan program	10,000	12,000
Microenterprise program	25,000	25,000
Restricted to future periods	205,000	268,000
	$ 508,000	$ 553,000

During the years ended June 30, 2017 and 2016, net assets were released from restriction as follows:

	2017	2016
Lapse of time restrictions	$ 89,000	$ 54,000

Permanently restricted net assets at June 30, 2017 and 2016, are restricted to the following loan programs:

	2017	2016
Residents of New York City ("NYC"), or nurses employed in specified NYC, who are currently attending NYC colleges, or who have graduated from NYC public schools, and special education bridge loans	$ 735,000	$ 735,000
Educational loans	500,000	500,000
Synagogue and Batei Midrashim	10,000	10,000
Medical and nursing education loans	190,000	140,000
Higher education to needy students	244,000	244,000
Emigré retraining program	432,000	425,000
Housing for educators	100,000	100,000
Children with special needs	25,000	25,000
Emigré programs	550,000	557,000
Adoption	251,000	251,000
Addiction recovery	75,000	75,000
Other loan programs	417,000	407,000
	$ 3,529,000	$ 3,469,000

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

NOTE 8. ACCOUNTING AND REPORTING FOR ENDOWMENTS

The endowment

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

NOTE 8. ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

The Society's investment pool includes a diversified portfolio of investments. The Society's investment objective is to maximize long-term total investment returns with constraints for the fund that only moderate risk be assumed and judged on an aggregate basis for the entire fund taking into account the asset allocation of the fund. The Society's spending policy is limited to 5% of the balance in the PIA on a 20-quarter rolling basis.

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

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

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

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

Endowment net assets composition by type of fund as of June 30, 2016

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

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

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

NOTE 9. PENSION PLAN

The Society's employees are eligible for pension benefits covered by the retirement plan of the Federation of Jewish Philanthropies of New York. Pension expense for the years ended June 30, 2017 and 2016, was approximately $54,000 and $61,000, respectively.

NOTE 10. CONCENTRATIONS

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

During the years ended June 30, 2017 and 2016, respectively, the Society received 70% and 76% of its contributions from board members.

SUPPLEMENTARY INFORMATION

HEBREW FREE LOAN SOCIETY, INC.
ANALYSIS OF LOAN ACTIVITY
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Loans	Amount	Allowance	Balance
Loans receivable, as of July 1, 2015	$ 1,848	$ 10,927,411	$ (311,000)	$ 10,616,411
Loans issued	920	9,727,114	-	9,727,114
Loans repaid and adjusted	(933)	(9,303,704)	17,000	(9,286,704)
Loans receivable, as of June 30, 2016	1,835	11,350,821	(294,000)	11,056,821
Loans issued	957	11,297,154	-	11,297,154
Loans repaid and adjusted	(941)	(9,379,911)	(16,000)	(9,395,911)
LOANS RECEIVABLE, AS OF JUNE 30, 2017	$ 1,851	$ 13,268,064	$ (310,000)	$ 12,958,064