HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hebrew Free Loan Association
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hebrew Free Loan Association of San Francisco and Affiliate (the Agency), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Association of San Francisco and Affiliate as of June 30, 2019 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 consolidated financial statements were reviewed by us and our report thereon, dated November 20, 2018 stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the consolidated financial statements.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 22, 2019

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	2019	2018
ASSETS:		
Cash and cash equivalents	$ 715,554	$ 903,472
Contributions and bequests receivable	907,230	482,948
Loans receivable, net	10,846,165	10,029,366
Loan collateral deposits	46,737	57,704
Prepaid expenses	51,175	47,920
Charitable remainder trust asset	41,520	39,488
Beneficial interest in assets held by Jewish Community Federation	546,310	550,012
Investments	3,216,566	3,934,184
Property and equipment, net	18,620	36,252
TOTAL ASSETS	$ 16,389,877	$ 16,081,346
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 44,580	$ 31,137
Accrued vacation	47,278	43,162
Loan collateral deposits	121,930	136,775
Other post-retirement obligations	93,853	116,377
Total liabilities	307,641	327,451
NET ASSETS:		
Without donor restrictions	6,579,471	6,641,166
With donor restrictions	9,502,765	9,112,729
Total net assets	16,082,236	15,753,895
TOTAL LIABILITIES AND NET ASSETS	$ 16,389,877	$ 16,081,346

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Contributions	$ 738,181	$ 769,893
Special events, net of direct benefit to donors of $119,162	234,094	
Investment income	201,692	160,535
Bequests	55,000	503,476
Change in value of beneficial interest in assets held by Jewish Community Federation	33,586	37,497
Other income	928	2,749
Net assets released from restrictions	17,200	5,375
Interfund transfer	223,928	197,110
Total revenues	1,504,609	1,676,635
EXPENSES:		
Program services	772,835	634,662
Supporting services:		
Fundraising	529,659	506,779
General and administrative	263,810	166,163
Total supporting services	793,469	672,942
Total expenses	1,566,304	1,307,604
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(61,695)	369,031
NET ASSETS WITH DONOR RESTRICTIONS:		
Bequests	394,328	(123,300)
Contributions	234,804	639,414
Change in value of charitable remainder trusts	2,032	(9,255)
Net assets released from restrictions	(17,200)	(5,375)
Interfund transfer	(223,928)	(197,110)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	390,036	304,374
CHANGE IN NET ASSETS	328,341	673,405
NET ASSETS, Beginning of Year	15,753,895	15,080,490
NET ASSETS, End of Year	$ 16,082,236	$ 15,753,895

The accompanying notes are an integral part of these consolidated financial statements.

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 (AUDITED)

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 482,124	$ 291,936	$ 145,100	$ 919,160
Benefits and payroll taxes	136,721	81,591	46,530	264,842
Special events		149,619		149,619
Rent	40,538	25,557	16,735	82,830
Maintenance and repairs	23,114	15,237	7,672	46,023
Publicity and public relations	17,749	21,735	5,926	45,410
Accounting	2,878	1,806	21,309	25,993
Software and support	23,347	441	234	24,022
Consultants	9,351	11,846	1,503	22,700
Insurance	7,671	4,813	6,102	18,586
Depreciation	15,861	730	1,041	17,632
Printing	362	13,006	89	13,457
Office supplies	5,741	5,847	1,643	13,231
Telephone and internet	5,080	3,158	4,366	12,604
Dues and conferences	370	4,687	4,601	9,658
Postage	(614)	8,203	(209)	7,380
Bad debt expense (recovery)	(1,595)			(1,595)
Other	4,137	8,609	1,168	13,914
Total functional expenses	772,835	648,821	263,810	1,685,466
Less direct expenses of special events		(119,162)		(119,162)
Total expenses reported on statement of activities	$ 772,835	$ 529,659	$ 263,810	$ 1,566,304

The accompanying notes are an integral part of these consolidated financial statements.

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018 (REVIEWED)

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 383,401	$ 258,229	$ 107,623	$ 749,253
Benefits and payroll taxes	105,728	82,256	6,436	194,420
Special events		18,713		18,713
Rent	36,831	31,578	14,091	82,500
Maintenance and repairs	21,330	17,470	6,002	44,802
Publicity and public relations	10,069	16,911	7,206	34,186
Accounting	8,328	6,593	3,046	17,967
Software and support	20,923	540	199	21,662
Consultants	6,238	14,638	4,918	25,794
Insurance	6,276	4,969	5,108	16,353
Depreciation	15,907	1,307	1,173	18,387
Printing	4,467	15,064	299	19,830
Office supplies	6,550	4,622	1,430	12,602
Telephone and internet	6,827	5,933	2,809	15,569
Dues and conferences		1,459	4,000	5,459
Postage	1,066	16,588	280	17,934
Bad debt expense (recovery)	(5,172)			(5,172)
Other	5,893	9,909	1,543	17,345
Total	$ 634,662	$ 506,779	$ 166,163	$ 1,307,604

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 328,341	$ 673,405
Reconciliation to net cash provided (used) by operating activities:		
Principal receipts on loans receivable	3,919,239	3,788,326
Loans receivable funding	(4,734,443)	(4,200,853)
Net realized and unrealized gain on investments	(59,037)	(1,201)
Change in value of beneficial interest in assets held by Jewish Community Federation	(33,586)	(37,497)
Change in value of charitable remainder trusts	(2,032)	9,256
Bad debt expense (recovery)	(1,595)	(5,172)
Depreciation	17,632	18,387
Loss on disposal of property and equipment		1,940
Donor restricted contributions and bequests to be held in perpetuity	(614,132)	(496,114)
Changes in:		
Contributions and bequests receivable	(424,282)	1,007,546
Loan collateral deposits	(3,878)	31,731
Prepaid expenses	(3,255)	(8,867)
Accounts payable	13,443	(10,737)
Accrued vacation	4,116	(2,027)
Other post-retirement obligations	(22,524)	(62,923)
Net cash provided (used) by operating activities	(1,615,993)	705,200
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(297,845)	(1,533,432)
Proceeds from sale of investments	1,074,500	576,500
Distribution from beneficial interest in assets held by Jewish Community Federation	37,288	72,339
Purchases of property and equipment		(1,455)
Net cash provided (used) by investing activities	813,943	(886,048)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Donor restricted contributions and bequests to be held in perpetuity	614,132	496,114
NET CHANGE IN CASH AND CASH EQUIVALENTS	(187,918)	315,266
CASH AND CASH EQUIVALENTS, Beginning of Year	903,472	588,206
CASH AND CASH EQUIVALENTS, End of Year	$ 715,554	$ 903,472

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Hebrew Free Loan Association of San Francisco (HFLA) is a nonprofit corporation organized to provide interest-free loans to Jewish individuals and families in Northern California for tuition and education-related costs, emergencies, personal financial challenges, first-time home purchases, debt consolidation, starting or expanding small businesses, adopting a child, and special medical needs. HFLA also makes loans to Jewish organizations and synagogues. Loans, made only to those exhibiting a need for financial assistance, are made after application and approval of board or board committees and a minimum of two officers. In addition, HFLA created the Pollak Community Loan Program, which provides interest-free student loans to lower-income, mostly first-generation college students, regardless of their religious affiliation. Funded entirely through donations made exclusively for this purpose, the Pollak Program serves as an interfaith bridge to the greater San Francisco Bay Area community.

Principles of consolidation – HFLA acts as trustee for the Charles Miller Charitable Trust (the Trust), a nonprofit organization established to provide interest-free loans to Jewish students. Although the Trust is a separate legal entity, it is controlled by HFLA through common board membership. The accompanying consolidated financial statements include the accounts of HFLA and the Trust (collectively, the Agency). All significant inter-entity transactions and account balances have been eliminated in the consolidation.

Basis of presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Funding – The Agency receives the majority of its revenue through contributions and bequests from individuals, as well as grants from foundations. A significant portion of its income is also derived from the Agency's investments.

Revenue recognition – Contributions, grants, and bequests are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets subject to donor restrictions for time or purpose become unrestricted and are reported in the consolidated statements of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purposes. Net assets with perpetual donor restrictions are those whose use by the Agency are restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Agency and consist of contributions to the Agency's endowment funds.

Cash and cash equivalents – For financial statement purposes, the Agency considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term investing purposes.

The Agency maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes the Agency is not exposed to any significant credit risk related to cash.

Investments are stated at fair value.

Contributions and bequests receivable – Amounts receivable from donors and their estates are generally expected to be collected within one year. As management believes that all donation and bequests receivable are fully collectible, there is no allowance for uncollectible amounts. Contributions and bequests receivable include amounts that are subject to estimation by the Agency based on information provided to the Agency by the donors' representatives. A reasonable possibility exists that amounts ultimately received upon settlement of the estates may differ from the amount initially recorded. However, the amount of the difference cannot be determined.

Loans receivable – Loans receivable represent loans made in accordance with the Agency's mission. Loans are made from unrestricted Agency funds as well as restricted funds donated with the stipulation that funds be used in perpetuity for lending purposes. Although the Agency has the right to call the loans at any time, they are generally repaid within two to ten years. All loans are interest-free. Loans are periodically reviewed for collectability by management, who records an allowance for uncollectible loans. This allowance is based on prior collection experience. Loans are written off as a charge to bad debt expense when, in the Agency's estimation, it is probable that the loan balance will not be collected.

Loan collateral deposits include collateral for loans receivable held by the Agency. Deposits are returned upon repayment of the related loan. Each deposit is held in a separate bank account maintained by the Agency. The liability for loan collateral deposits includes the loan collateral deposits and additional cash collateral that is maintained with the Agency's funds.

Property and equipment is stated at cost. The Agency capitalizes all expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets, ranging from five to seven years.

Functional expenses – The Agency allocates its expenses on a functional basis among its program and support services. Special event expenses, bad debt and other expenses that can be identified with a specific program or support service are allocated directly. Salaries, benefits and payroll taxes are allocated based on the relative amount of staff time spent on the respective functions. Other operating expenses are allocated based on salaries.

The annual funds disbursed in making interest free loans to borrowers are not included in the Agency's expenses because they remain the assets of the Agency. For the purpose of evaluating the percentage of outgoing funds utilized in program activities for a given year, the Agency adds the loans made during that year to program expenses. For the year ended June 30, 2019, interest free loans made to borrowers totaled $4,734,443. Using this methodology, the Agency utilized approximately 87% of its outgoing funds for program activities during the year ended June 30, 2019 and approximately 13% for supporting activities.

Income taxes – HFLA and the Trust are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but are subject to income taxes from activities unrelated to their tax-exempt purposes. The Agency has implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Agency is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2015.

Use of estimates –The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in these financial statements include the value of contributions and bequests receivable, allowance for uncollectible loans, fair value of the charitable remainder trust asset, and the useful lives of property and equipment. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the liquidity disclosures, which have not been applied for the year ended June 30, 2019 as allowed by the transition guidance of this ASU.

Subsequent events have been reviewed through November 22, 2019, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that require recognition or disclosure in the consolidated financial statements.

Reclassification – Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency's financial assets available for general expenditure within one year of the June 30, 2019 statement of financial position are as follows:

Cash and cash equivalents	$ 715,554
Contributions and bequests receivable	907,230
Loans receivable, net	10,846,165
Loan collateral deposits	46,737
Charitable remainder trust asset	41,520
Beneficial interest in assets held by Jewish Community Federation	546,310
Investments	3,216,566
Total financial assets	16,320,082
Less amounts unavailable for general expenditures within one year:	
Liability for loan collateral deposits	(121,930)
Loans receivable funded by net assets without donor restrictions	(2,983,447)
Net assets restricted by donors (see Note 7)	(9,502,765)
Total financial assets available for general expenditure within one year	$ 3,711,940

For the purpose of determining financial assets available for general expenditure within one year, the Agency has excluded the portion of its loans funded by net assets without donor restrictions. Although a portion of these receivables are expected to be repaid in the following fiscal year and could be used to fund general operations, they have been excluded from the calculation of assets available for general use in the following year as the Agency intends to continue providing new loans with these funds as they are repaid by borrowers.

The Agency structures its financial assets to ensure sufficient liquid assets are available as its general expenditures, liabilities, and other obligations come due.

3. INVESTMENTS

Investments consist of the following:

	2019	2018
Israel bonds (Maturing April 2021 through February 2023)	$ 151,500	$ 152,000
Multi-sector bond mutual funds	1,739,708	2,219,218
Large blend mutual funds	1,325,358	1,562,966
Total	$ 3,216,566	$ 3,934,184

4. LOANS RECEIVABLE

Loans receivable consist of the following types of loans:

	2019	2018
Student loans	$ 6,229,208	$ 6,130,014
Business loans	1,460,925	1,409,970
Debt consolidation loans	1,211,709	819,092
Personal loans	510,360	381,054
Pollak Community – Student loans	499,952	412,377
First-time home buyer loans	380,360	372,560
Health care loans	193,697	215,136
Unemployment loans	110,015	119,200
Jewish organization loans	81,800	52,050
Special needs fund	80,915	81,255
Jewish women's loan fund	58,877	
Disaster relief fund	58,530	49,120
Adoption loans	15,940	28,122
Emergency loans	15,081	20,620
Total	10,907,369	10,090,570
Less allowance for uncollectible loans	(61,204)	(61,204)
Loans receivable, net	$ 10,846,165	$ 10,029,366

5. BENEFICIAL INTEREST IN ASSETS HELD BY JEWISH COMMUNITY FEDERATION

Certain assets of the Agency are held by the Jewish Community Federation (Federation) for investment purposes, with the understanding that the income and principal pertaining to these assets will be distributed to the Agency upon their request. Although the Agency's Board of Directors recommends distributions from the fund, the trustees of the Federation maintain variance power over these funds and have final discretion. However, because the assets are for the exclusive use of supporting the charitable purposes of the Agency, the Agency includes these assets in its consolidated statements of financial position.

6. CHARITABLE REMAINDER TRUST ASSET

The Charitable remainder trust asset reflects the estimated fair value of an irrevocable charitable trust, held by a third-party trustee, for which the Agency is named as a remainder beneficiary. The fair value of the charitable remainder trust asset is measured on a recurring basis and was determined using an investment return consistent with the composition of the asset portfolio, life expectancy of the lead beneficiary, and a discount rate of 8% at June 30, 2019 and 2018.

7. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Inputs — Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs — Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Agency's assets subject to recurring fair value measurements are classified as follows:

Year ended June 30, 2019:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 3,065,066	$ 151,500	
Beneficial interest in assets held by Jewish Community Federation		546,310	
Charitable remainder trust asset			$ 41,520
Total	$ 3,065,066	$ 697,810	$ 41,520

Year ended June 30, 2018:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 3,782,184	$ 152,000	
Beneficial interest in assets held by Jewish Community Federation		550,012	
Charitable remainder trust asset			$ 39,488
Total	$ 3,782,184	$ 702,012	$ 39,488

The Agency's investments in mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Agency's investments in Israel bonds are classified within Level 2 of the fair value hierarchy because they are valued using alternative pricing methods using observable information inputs, such as current interest rates.

Beneficial interest in assets held by the Jewish Community Federation are valued within Level 2 of the fair value hierarchy because it is valued based on its share of the underlying value of investments held by the Federation, which are primarily based on quoted market prices within active markets.

The Agency's charitable remainder trust asset is classified within Level 3 of the hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. Changes in Level 3 inputs for the years ended June 30, 2019 and 2018 consist of unrealized changes in the value of the charitable remainder trust asset.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2019	2018
Computer and software	$ 291,213	$ 291,213
Furniture and equipment	38,891	38,891
Website	9,947	9,947
Leasehold improvements	2,085	2,085
Total	342,136	342,136
Less accumulated depreciation	(323,516)	(305,884)
Property and equipment, net	$ 18,620	$ 36,252

9. NET ASSETS

Net assets with donor restrictions represent unexpended funds restricted by donors as follows:

	2019	2018
Purpose and time restrictions:		
Endorsement funds (to be used to guarantee loans with fewer than required guarantors)	$ 214,597	$ 214,597
Charitable remainder trusts – time restricted	41,520	39,488
Time restricted	18,000	35,200
Fundraising software conversion	15,000	
Becker award fund	6,961	6,961
Young leadership program	4,077	4,077
Financial fitness	2,058	2,058
Other	1,247	1,247
Total purpose and time restrictions	303,460	303,628
Restricted into perpetuity:		
Loan funds	9,062,446	8,672,427
Endowment	136,859	136,674
Total perpetual restrictions	9,199,305	8,809,101
Total	$ 9,502,765	$ 9,112,729

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted net funds received for the Agency's interest-free loan program and those received for its endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Agency classifies donor-restricted net assets as the original value of all gifts donated to the permanent endowments.

It is the understanding of the Board of Directors that all funds that are received from a donor with specific stipulations that they be treated as endowment funds, are to be held for investment by the Agency and the income derived from the initial donation (also referred to as corpus) be available to the Agency to pay for operating costs associated with the Agency. In some instances, the donor may specifically stipulate a further restriction as to the income derived from endowment funds. When this is the case, those donor stipulations would also be legally enforceable to the Agency and adhered to by the Board of Directors. Donor-restricted endowment funds would be commingled with other Agency invested funds, unless the donor has explicitly stipulated their segregation.

Spending Policy: The Agency charges a 3% annual program administrative fee to the net asset balance for all outstanding loan balances that were funded with donor-restricted contributions to be held in perpetuity. These administrative fees are recorded as interfund transfers.

Investment earnings on net assets with perpetual donor restrictions are recorded as increases to net assets without donor restrictions and are used to help support the operating costs of the Agency.

Investment Policy: The Agency's investment objectives are to achieve a balanced portfolio that has a reasonable return without being subject to the full extent of market fluctuations that would occur by investing in aggressive asset classes. The Agency's policy prohibits investment in hedge funds or derivative instruments. In general, the Agency achieves its diversification through investing in mutual funds with diversified holdings. These differences (stock vs. bond; domestic vs. international) serve to diversify the portfolio.

Changes in endowment net assets are as follows:

Year ended June 30, 2019:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 136,674	$ 8,672,427
Contributions	822	613,310
Distributions	(637)	
Administrative fee		(223,291)
Endowment net assets, end of year	$ 136,859	$ 9,062,446

Year ended June 30, 2018:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 136,450	$ 8,373,647
Contributions	859	495,255
Distributions	(635)	
Administrative fee		(196,475)
Endowment net assets, end of year	$ 136,674	$ 8,672,427

10. EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

The Agency sponsors a section 403(b) plan for employees who normally work at least 20 hours per week. After one year of employment, the Agency contributes 4% of each participant's salary and provides matching contributions of up to 4% of each participant's salary. Employer contributions vest according to a set schedule with 0% vested under 2 years of service and 100% vested after 6 years of service. Total employer contributions were $65,253 and $57,393 for the years ended June 30, 2019 and 2018, respectively.

Other post-retirement obligations

The Agency has obligations under post-retirement agreements with former Executive Directors of the Agency. These obligations remain through the life of the beneficiaries named in the related agreements. There were two such agreements in place as of June 30, 2018 and one as of June 30, 2019. The Agency has a liability of $93,853 and $116,377 as of June 30, 2019 and 2018, respectively, representing the present value of the Agency's estimated future payouts based on actuarial assumptions. The Agency made payments under these agreements totaling $23,024 and $35,719 during the years ended June 30, 2019 and 2018, respectively.

11. OPERATING LEASES

The Agency leases its office under a non-cancelable operating lease expiring in January 2022. The Agency also leases office equipment under non-cancelable operating leases expiring through January 2022. Rental expense under all operating leases was $88,415 and $88,085 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under these leases are as follows:

Year ending June 30:	
2020	$ 83,910
2021	83,384
2022	48,867
Total	$ 216,161