HEBREW FREE LOAN ASSOCIATION
OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED FINANCIAL
STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT

YEARS ENDED
JUNE 30, 2023 AND 2022

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Hebrew Free Loan Association of San Francisco and Affiliate (the Agency), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2023 and 2022, and the changes 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.

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 the Agency 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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

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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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Agency'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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 audit.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 14, 2023

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Cash and cash equivalents	$ 881,903	$ 3,145,209
Contributions and bequests receivable	1,485,750	1,568,186
Loans receivable, net	20,558,502	18,472,643
Loan collateral deposits	150,309	130,031
Prepaid expenses	176,253	125,538
Charitable remainder trust asset	29,090	29,639
Beneficial interest in assets held by Jewish Community Federation	613,070	578,742
Investments	3,982,856	4,531,973
Operating lease, right-of-use asset	191,747	
Property and equipment, net	15,192	15,744
TOTAL ASSETS	$ 28,084,672	$ 28,597,705
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 50,138	$ 63,963
Accrued vacation	106,070	91,069
Deferred rent		19,899
Loan collateral deposits	150,309	130,031
Recoverable grants	6,238,992	7,670,270
Operating lease liability	208,854	
Other post-retirement obligations	89,044	86,799
Total liabilities	6,843,407	8,062,031
NET ASSETS:		
Without donor restrictions	9,367,111	8,746,104
With donor restrictions	11,874,154	11,789,570
Total net assets	21,241,265	20,535,674
TOTAL LIABILITIES AND NET ASSETS	$ 28,084,672	$ 28,597,705

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Contributions	$ 1,630,504	$ 1,699,308
Bequests	476,547	157,500
Change in value of beneficial interest in assets held by Jewish Community Federation	35,031	(68,502)
Investment income (loss)	423,586	(661,873)
Other income	6,481	6,937
Net assets released from restrictions	107,324	90,469
Interfund transfer	308,285	250,405
Total revenues	2,987,758	1,474,244
EXPENSES:		
Program services	1,404,700	1,165,161
Supporting services:		
Fundraising	653,719	606,383
General and administrative	308,332	296,218
Total supporting services	962,051	902,601
Total expenses	2,366,751	2,067,762
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	621,007	(593,518)
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	500,742	1,307,559
Bequests		1,000,000
Change in value of charitable remainder trust	(549)	3,139
Net assets released from restrictions	(107,324)	(90,469)
Interfund transfer	(308,285)	(250,405)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	84,584	1,969,824
CHANGE IN NET ASSETS	705,591	1,376,306
NET ASSETS, Beginning of Year	20,535,674	19,159,368
NET ASSETS, End of Year	$ 21,241,265	$ 20,535,674

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 803,157	$ 397,060	$ 187,383	$ 1,387,600
Benefits and payroll taxes	214,408	110,683	64,993	390,084
Rent	50,556	24,564	11,011	86,131
Software and support	68,067	12,427	2,874	83,368
Maintenance and repairs	36,657	17,901	9,825	64,383
Grants	60,902			60,902
Consultants	27,143	10,465	10,306	47,914
Publicity and public relations	19,924	24,332		44,256
Accounting	18,866	7,390	4,259	30,515
Printing	4,244	25,540	114	29,898
Insurance	9,369	4,684	5,879	19,932
Telephone and internet	9,742	6,263	1,559	17,564
Dues and conferences	4,053	1,159	2,613	7,825
Postage	2,695	4,418	638	7,751
Office supplies	3,283	1,427	690	5,400
Depreciation	24	24	4,939	4,987
Bad debt expense	55,400			55,400
Other	16,210	5,382	1,249	22,841
Total	$ 1,404,700	$ 653,719	$ 308,332	$ 2,366,751

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 660,923	$ 363,847	$ 168,230	$ 1,193,000
Benefits and payroll taxes	203,651	101,724	72,563	377,938
Rent	63,824	26,187	12,086	102,097
Software and support	46,896	3,099	478	50,473
Maintenance and repairs	25,322	10,619	6,196	42,137
Grants	45,954	7,280	5,360	58,594
Consultants	12,677	11,550	5,189	29,416
Publicity and public relations	16,200	18,384	250	34,834
Accounting	19,075	7,999	7,359	34,433
Printing	4,428	21,571	55	26,054
Insurance	8,762	3,674	4,846	17,282
Telephone and internet	11,371	7,149	1,407	19,927
Dues and conferences	7,390	3,927	3,914	15,231
Postage	3,393	4,218	659	8,270
Office supplies	3,685	1,447	1,410	6,542
Depreciation	3,362	1,231	714	5,307
Other	28,248	12,477	5,502	46,227
Total	$ 1,165,161	$ 606,383	$ 296,218	$ 2,067,762

HEBREW FREE LOAN ASSOCIATION OF SAN FRANCISCO AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 705,591	$ 1,376,306
Reconciliation to net cash used by operating activities		
Principal receipts on loans receivable	5,899,015	5,784,961
Loans receivable funding	(8,040,274)	(5,633,478)
Recoverable grants forgiven	(29,750)	
Receipt of donated investments	(276,137)	
Net realized and unrealized loss (gain) on investments	(331,789)	756,424
Change in value of beneficial interest in assets held by Jewish Community Federation	(35,031)	68,502
Change in value of charitable remainder trust	549	(3,139)
Bad debt expense	55,400	
Depreciation	4,987	5,307
Donor restricted contributions and bequests to be held in perpetuity	(378,490)	(2,179,864)
Non-cash operating lease expense	77,354	
Changes in:		
Contributions and bequests receivable	82,436	(1,119,459)
Prepaid expenses	(50,715)	(71,474)
Accounts payable	(13,825)	4,238
Accrued vacation	15,001	16,839
Deferred rent		19,899
Other post-retirement obligations	2,245	14,217
Operating lease liability	(80,146)	
Net cash used by operating activities	(2,393,579)	(960,721)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(167,957)	(603,113)
Proceeds from sale of investments	1,325,000	
Purchases of property and equipment	(4,435)	(1,863)
Distribution from beneficial interest in assets held by Jewish Community Federation	703	668
Net cash provided (used) by investing activities	1,153,311	(604,308)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from recoverable grants		464,200
Repayments on recoverable grants	(1,401,528)	(1,485,590)
Donor restricted contributions and bequests to be held in perpetuity	378,490	2,179,864
Net cash provided (used) by financing activities	(1,023,038)	1,158,474
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,263,306)	(406,555)
CASH AND CASH EQUIVALENTS, Beginning of Year	3,145,209	3,551,764
CASH AND CASH EQUIVALENTS, End of Year	$ 881,903	$ 3,145,209

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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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 minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Agency's deposits held with financial institutions in excess of federal depository insurance limits totaled $177,230 and $2,742,150 as of June 30, 2023 and 2022, respectively. 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 consist of collateral for loans receivable held by the Agency. Deposits are returned upon repayment of the related loan.

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.

Recoverable grants are considered conditional contributions under the accounting standards for not-for-profit organizations as the related agreements contain terms under which the Agency would not be required to repay any amount not received from its loan recipients. The recoverable grants are reported as liabilities in the consolidated statements of financial position until repaid or forgiven. See Note 10 for additional information.

Leases – The Agency determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Agency uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Agency has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Agency does not report ROU assets and leases liabilities for its short-term leases

(leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional expenses – The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Special event expenses, bad debt and other expenses that can be identified with a specific program or supporting 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, 2023, interest free loans made to borrowers totaled $8,040,274. Using this methodology, the Agency utilized approximately 91% of its outgoing funds for program activities during the year ended June 30, 2023 and approximately 9% 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 2019.

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, and the allowance for uncollectible loans. Accordingly, actual results could differ from those estimates.

New accounting pronouncements – Effective July 1, 2022, the Agency adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Agency applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Agency applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of a ROU asset of $269,101 and a lease liability of $289,000, and elimination of the deferred rent liability balance of $19,899 as of July 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Future accounting pronouncements – Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* is effective for the Agency's June 30, 2024 fiscal year. ASU 2016-13 requires an entity to prospectively record an allowance for credit losses for the current expected credit losses inherent in the asset over its expected life, replacing the incurred loss model that recognized losses only when they became probable and estimable. ASU 2016-13 also requires enhanced disclosures regarding an entity's financial instruments information about credit quality. The Agency is currently evaluating the impact this pronouncement will have on the consolidated financial statements.

Subsequent events have been reviewed through November 14, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the consolidated financial statements.

Reclassification – Certain 2022 amounts have been reclassified to conform to the 2023 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 statement of financial position are as follows:

	2023	2022
Cash and cash equivalents	$ 881,903	$ 3,145,209
Contributions and bequests receivable	1,485,750	1,568,186
Loans receivable, net	20,558,502	18,472,643
Loan collateral deposits	150,309	130,031
Charitable remainder trust asset	29,090	29,639
Beneficial interest in assets held by Jewish Community Federation	613,070	578,742
Investments	3,982,856	4,531,973
Total financial assets	27,701,480	28,456,423
Less amounts unavailable for general expenditures within one year:		
Liability for loan collateral deposits	(150,309)	(130,031)
Recoverable grant liabilities	(6,238,992)	(7,670,270)
Loans receivable funded by net assets without donor restrictions	(5,607,270)	(3,156,272)
Net assets restricted by donors (see Note 9)	(11,874,154)	(11,789,570)
Total financial assets available for general expenditure within one year	$ 3,830,755	$ 5,710,280

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, 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:

	2023	2022
Israel bonds (Maturing November 2024 through April 2027)	$ 151,500	$ 151,500
High yield mutual funds	1,347,859	1,820,982
Large blend mutual funds	2,207,297	2,559,491
Cash equivalents	226,200	
Private stock	50,000	
Total	$ 3,982,856	$ 4,531,973

4. LOANS RECEIVABLE

Loans receivable consist of the following types of loans:

	2023	2022
Student loans	$ 6,135,665	$ 5,697,830
Jewish organization loans	4,131,000	4,190,600
Debt consolidation loans	2,782,711	2,061,264
General needs loans	2,772,185	2,362,714
Business loans	1,502,771	1,550,729
First-time home buyer loans	1,109,575	953,880
Pollak Community – Student loans	847,750	672,268
Fertility loans	527,410	313,305
Disaster relief fund	201,445	145,239
Health care loans	170,745	205,501
Special needs fund	161,885	118,095
Jewish Women's Loan Fund	135,798	119,960
Unemployment loans	121,985	113,855
Emergency loans	21,597	16,127
Adoption loans	10,980	12,480
Total	20,633,502	18,533,847
Less allowance for uncollectible loans	(75,000)	(61,204)
Loans receivable, net	$ 20,558,502	$ 18,472,643

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 its 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, 2023 and 2022.

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, 2023:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 3,781,356	$ 151,500	$ 50,000
Beneficial interest in assets held by Jewish Community Federation			613,070
Charitable remainder trust asset			29,090
Total	$ 3,781,356	$ 151,500	$ 692,160

Year ended June 30, 2022:	**Level 1**	**Level 2**	**Level 3**
Investments	$ 4,380,473	$ 151,500	
Beneficial interest in assets held by Jewish Community Federation			$ 578,742
Charitable remainder trust asset			29,639
Total	$ 4,380,473	$ 151,500	$ 608,381

The Agency's investments in mutual funds and cash equivalents 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.

The Agency's investment in private stock is based on the value as reported by the issuing company and is considered a Level 3 measurement.

Beneficial interest in assets held by the Jewish Community Federation are valued within Level 3 of the fair value hierarchy because it is valued based on the fair value of the fund investments as reported by the Jewish Community Federation.

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.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2023	**2022**
Computer and software	$ 131,714	$ 289,068
Furniture and equipment	38,885	38,885
Website	9,947	9,947
Leasehold improvements	5,385	5,385
Total	185,931	343,285
Less accumulated depreciation	(170,739)	(327,541)
Property and equipment, net	$ 15,192	$ 15,744

9. NET ASSETS

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

	2023	2022
Purpose and time restrictions:		
Endorsement funds (to be used to guarantee loans with fewer than required guarantors)	$ 214,597	$ 214,597
Private stock – time restricted	50,000	
Credit counseling, certification, and reporting	45,366	47,158
Charitable remainder trusts – time restricted	29,090	29,639
Archive project	12,352	9,352
Data project/population study	9,000	
Becker award fund	6,961	6,961
Young leadership program	4,077	4,077
Financial fitness	2,058	2,058
Staff and Board retreat	1,804	5,000
Cloud storage	188	20,000
Loan forgiveness for low-income elderly		20,000
Other	5,915	8,187
Total purpose and time restrictions	381,408	367,029
Endowments restricted into perpetuity:		
Loan funds	11,356,036	11,285,880
Investments	136,710	136,661
Total perpetual restrictions	11,492,746	11,422,541
Total	$ 11,874,154	$ 11,789,570

Net assets with donor restrictions to be held in perpetuity consist of the donor-restricted 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 are to 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 management fee to the net asset balance for all outstanding loan balances that were funded with donor-restricted contributions to be held in perpetuity. These management 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, 2023:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 136,661	$ 11,285,880
Contributions	1,586	376,904
Distributions	(1,537)	
Management fee		(306,748)
Endowment net assets, end of year	$ 136,710	$ 11,356,036

Year ended June 30, 2022:	**Restricted into Perpetuity (Investment)**	**Restricted into Perpetuity (Loans)**
Endowment net assets, beginning of year	$ 138,896	$ 9,354,186
Contributions		2,179,864
Distributions	(2,235)	
Management fee		(248,170)
Endowment net assets, end of year	$ 136,661	$ 11,285,880

10. RECOVERABLE GRANTS

Effective November 18, 2019, the Agency entered into a recoverable grant agreement with the Federation. Under the terms of this agreement, the Agency received a $4,000,000 grant to be utilized in its Jewish organization loan fund. The grant proceeds were provided through a donor advised fund held by the Federation. The grant does not bear interest. Although the grant is expected to be repaid, the Agency is not required to repay: 1) any portion of the grant that the Agency is unable to collect from the borrowers of these funds as of the maturity date; or 2) any portion of the grant for which the Donor of the donor advised fund instructs the Federation that it wishes to be forgiven. Effective November 20, 2019, the Agency utilized this grant to make a Jewish organization loan to one borrower for $4,000,000. The loan does not bear interest and is due in full on December 31, 2025. The loan agreement provides the option to extend the maturity date if agreed to by both the Agency and the borrower. The balance of this loan is $4,000,000 as of June 30, 2023 and 2022, and is included in loans receivable in the consolidated statements of financial position.

The Agency has additional recoverable grants with the Federation with outstanding balances totaling $2,238,992 and $3,670,270 at June 30, 2023 and 2022, respectively. The grants were received for the purpose of making additional loans under the Agency’s interest-free loan program. The grants do not bear interest and have maturities from May 1, 2025 through April 29, 2027. Any portion of the grants that the Agency is unable to collect from the borrowers of these funds is not required to be repaid to the Federation. The grant agreements each have additional repayment terms which vary from either requiring quarterly repayment or allowing the Federation to request annual repayment of principal collected on loans funded by the recoverable grants.

The recoverable grants are included as a liability in the consolidated statements of financial position totaling $6,238,992 and $7,670,270 at June 30, 2023 and 2022, respectively.

11. 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 $103,511 and $94,577 for the years ended June 30, 2023 and 2022, respectively.

Other post-retirement obligations

The Agency has obligations under a post-retirement agreement with a former Executive Director of the Agency. The obligations remain through the life of the beneficiaries named in the related agreement. The Agency has a liability of $89,044 and $86,799 as of June 30, 2023 and 2022, respectively, representing the present value of the Agency’s estimated future payouts. The Agency made payments under this agreement totaling $7,726 and $5,877 during the years ended June 30, 2023 and 2022, respectively.

12. LEASES

The Agency leases its office under a non-cancelable operating lease expiring in November 2025, which is included on the statement of financial position as of June 30, 2023 as a ROU asset and operating lease liability of $191,747 and $208,854, respectively. The ROU asset and operating lease liability were calculated using a risk-free discount rate of 1.39%. The Agency also leases office equipment under non-cancelable operating leases expiring through January 2025. Lease expense under all operating leases was $85,307 for 2023. Maturities of the lease liability for the office lease are as follows:

Year ending June 30,	
2024	$ 86,072
2025	88,653
2026	37,574
Total lease payments	212,299
Less: interest	(3,446)
Present value of operating lease liability	$ 208,854

Prior to the implementation of ASC 842 in 2022, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for operating leases under ASC 840 was $102,097 for 2022.

Required supplemental cash flow information for the year ended June 30, 2023 consists of the following:

Cash paid for amounts included in the measurement of operating lease liabilities	$ 83,562
Right-of-use operating lease assets obtained in exchange for lease liabilities	269,101