

JEWISH FREE LOAN ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
JEWISH FREE LOAN ASSOCIATION
Los Angeles, California

We have audited the accompanying financial statements of Jewish Free Loan Association (the "JFLA"), which comprise the statement of financial position as of August 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 ("U.S. GAAP"); 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.

Auditors' 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 U.S. ("U.S. GAAS"). 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 auditors' 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 auditors consider internal control relevant to JFLA'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 JFLA'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Free Loan Association as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.

RBZ, LLP

July 17, 2015

JEWISH FREE LOAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013

ASSETS

	2014	2013
Cash and Cash Equivalents	\$ 637,352	\$ 1,274,319
Investments, net of unrealized losses of \$34,812 and \$154,661, respectively	3,757,451	2,282,400
Pledges Receivable, net	1,306,453	1,166,176
Prepaid Expenses and Other Assets	6,184	81,443
Interest-Free Loans, net	11,705,079	11,010,127
Assets Held for Jewish Federation of Orange County	216,665	100,061
Investments Held by Jewish Community Foundation	144,272	130,581
Property and Equipment, net	97,819	51,855
Investments Held for Deferred Compensation	353,072	309,379
	\$ 18,224,347	\$ 16,406,341

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 356,872	\$ 372,054
Unearned Special Event Revenue	45,120	-
Deferred Compensation Payable	353,072	309,379
Loan Funds Administered for Others	249,550	249,550
	1,004,614	930,983
Commitments (Notes 6, 12 and 13)		
Net Assets		
Unrestricted		
General funds	1,152,984	1,665,365
Designated for lending activities	400,000	400,000
Unrestricted	1,552,984	2,065,365
Temporarily restricted	127,402	18,439
Permanently restricted	15,539,347	13,391,554
Total Net Assets	17,219,733	15,475,358
	\$ 18,224,347	\$ 16,406,341

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support				
Support received directly				
Contributions	688,070	62,024	2,126,552	2,876,646
Proceeds from fundraising events, net of direct benefit costs of \$56,001	214,993	-	134,757	349,750
Support received indirectly				
Allocation from the Jewish Federation Council	100,000	-	-	100,000
Net assets released from restrictions	<u>113,500</u>	<u>(113,500)</u>	<u>-</u>	<u>-</u>
 Total public support	 <u>1,116,563</u>	 <u>(51,476)</u>	 <u>2,261,309</u>	 <u>3,326,396</u>
 Other revenue				
Investment income	42,990	44,477	-	87,467
Realized gains from sales of investments	9,332	9,654	-	18,986
Unrealized gains on investments	116,444	106,308	-	222,752
Other revenue	<u>3,525</u>	<u>-</u>	<u>-</u>	<u>3,525</u>
 Total other revenue	 <u>172,291</u>	 <u>160,439</u>	 <u>-</u>	 <u>332,730</u>
 Total Public Support and Revenue	 <u>1,288,854</u>	 <u>108,963</u>	 <u>2,261,309</u>	 <u>3,659,126</u>
 Functional Expenses				
Program services	1,240,237	-	113,516	1,353,753
Management and General	253,467	-	-	253,467
Fundraising	<u>307,531</u>	<u>-</u>	<u>-</u>	<u>307,531</u>
	 <u>1,801,235</u>	 <u>-</u>	 <u>113,516</u>	 <u>1,914,751</u>
 Changes in Net Assets	 (512,381)	 108,963	 2,147,793	 1,744,375
 Net Assets, beginning of year	 <u>2,065,365</u>	 <u>18,439</u>	 <u>13,391,554</u>	 <u>15,475,358</u>
 Net Assets, end of year	 <u>\$ 1,552,984</u>	 <u>\$ 127,402</u>	 <u>\$ 15,539,347</u>	 <u>\$ 17,219,733</u>

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public Support				
Support received directly				
Contributions	479,479	-	1,204,495	1,683,974
Proceeds from fundraising events, net of direct benefit costs of \$61,077	116,102	-	-	116,102
Support received indirectly				
Allocation from the Jewish Federation Council	114,346	-	-	114,346
Net Assets Released from Restriction	<u>62,500</u>	<u>(62,500)</u>	<u>-</u>	<u>-</u>
Total public support	<u>772,427</u>	<u>(62,500)</u>	<u>1,204,495</u>	<u>1,914,422</u>
 Other revenue				
Investment income	40,576	55,423	-	95,999
Realized losses from sales of investments	13,195	-	-	13,195
Unrealized losses on investments	(7,684)	(35,107)	-	(42,791)
Other revenue (Note 8)	<u>555,947</u>	<u>-</u>	<u>-</u>	<u>555,947</u>
	<u>602,034</u>	<u>20,316</u>	<u>-</u>	<u>622,350</u>
	<u>1,374,461</u>	<u>(42,184)</u>	<u>1,204,495</u>	<u>2,536,772</u>
 Functional Expenses				
Program Services	1,181,223	-	84,467	1,265,690
Management and General	209,676	-	-	209,676
Fundraising	<u>278,923</u>	<u>-</u>	<u>-</u>	<u>278,923</u>
	<u>1,669,822</u>	<u>-</u>	<u>84,467</u>	<u>1,754,289</u>
 Changes in Net Assets	(295,361)	(42,184)	1,120,028	782,483
 Net Assets, beginning of year	<u>2,360,726</u>	<u>60,623</u>	<u>12,271,526</u>	<u>14,692,875</u>
 Net Assets, end of year	<u>\$ 2,065,365</u>	<u>\$ 18,439</u>	<u>\$ 13,391,554</u>	<u>\$ 15,475,358</u>

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries	\$ 732,566	\$ 132,269	\$ 152,618	\$ 1,017,453
Payroll taxes	51,681	9,331	10,767	71,779
Employee benefits	<u>168,268</u>	<u>30,382</u>	<u>35,056</u>	<u>233,706</u>
	<u>952,515</u>	<u>171,982</u>	<u>198,441</u>	<u>1,322,938</u>
Other Expenses				
Advertising and outreach	34,555	6,239	7,199	47,993
Bad debt	113,516	-	-	113,516
Depreciation and amortization	10,571	1,909	2,202	14,682
Fundraising	-	-	44,427	44,427
Insurance	4,384	792	913	6,089
Miscellaneous	55,794	10,074	11,624	77,492
Occupancy	81,993	14,673	16,930	113,596
Office expense	3,531	638	736	4,905
Office supplies	12,893	2,328	2,686	17,907
Outside services	22,873	4,130	4,765	31,768
Payroll service	2,450	443	511	3,404
Postage	9,776	1,765	2,037	13,578
Professional fees	13,314	35,890	12,055	61,259
Program costs	21,166	-	-	21,166
Telephone	<u>14,422</u>	<u>2,604</u>	<u>3,005</u>	<u>20,031</u>
	<u>401,238</u>	<u>81,485</u>	<u>109,090</u>	<u>591,813</u>
	<u>\$ 1,353,753</u>	<u>\$ 253,467</u>	<u>\$ 307,531</u>	<u>\$ 1,914,751</u>

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries	\$ 683,676	\$ 123,442	\$ 142,432	\$ 949,550
Payroll taxes	48,012	8,668	10,003	66,683
Employee benefits	<u>155,694</u>	<u>28,112</u>	<u>32,436</u>	<u>216,242</u>
	<u>887,382</u>	<u>160,222</u>	<u>184,871</u>	<u>1,232,475</u>
Other Expenses				
Advertising and outreach	30,993	5,596	6,457	43,046
Bad debt	84,467	-	-	84,467
Depreciation and amortization	6,342	1,145	1,321	8,808
Fundraising	-	-	31,387	31,387
Insurance	2,421	437	505	3,363
Miscellaneous	36,387	6,570	7,581	50,538
Occupancy	81,265	14,673	16,930	112,868
Office expense	6,772	1,222	1,411	9,405
Office supplies	6,513	1,176	1,357	9,046
Outside services	19,837	3,582	4,133	27,552
Payroll service	2,074	374	432	2,880
Postage	13,305	2,402	2,772	18,479
Professional fees	56,596	10,219	17,390	84,205
Program costs	19,937	-	-	19,937
Telephone	<u>11,399</u>	<u>2,058</u>	<u>2,376</u>	<u>15,833</u>
	<u>378,308</u>	<u>49,454</u>	<u>94,052</u>	<u>521,814</u>
	<u>\$ 1,265,690</u>	<u>\$ 209,676</u>	<u>\$ 278,923</u>	<u>\$ 1,754,289</u>

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,744,375	\$ 782,483
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	14,682	8,808
Net realized and unrealized gains on investments	(228,047)	42,999
Net unrealized gains and reinvested returns on investments held for deferred compensation	(23,693)	(9,967)
Net unrealized gains and reinvested returns on investments held by Jewish Community Foundation	(13,691)	(13,403)
Reinvested income	(87,467)	-
Donation of stock	(25,355)	(9,974)
Permanently restricted contributions	(2,240,051)	(1,204,495)
Collection of permanently restricted pledges receivable and current year permanently restricted cash contributions to be utilized for loan funds	2,099,774	1,289,503
Bad debt write-off	-	42,030
(Increase) decrease in operating assets		
Prepaid expenses and other current assets	75,259	(12,435)
Interest-free loans, net	(694,952)	(262,723)
Assets held for Jewish Federation of Orange County	(116,604)	1,143
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(15,182)	23,035
Due to Jewish Federation Council of Los Angeles	-	(544,981)
Unearned special event revenue	45,120	-
Deferred compensation payable	43,693	29,967
Loan funds administered for others	-	100,000
Net Cash Provided by Operating Activities	<u>577,861</u>	<u>261,990</u>
Cash Flows from Investing Activities		
Purchases of investments	(3,874,032)	(575,820)
Proceeds from sales of investments	2,946,167	648,617
Purchases of investments held for deferred compensation	(20,000)	(20,000)
Purchases of property and equipment	<u>(60,646)</u>	<u>(39,441)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,008,511)</u>	<u>13,356</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(430,650)	275,346
Cash and Cash Equivalents, beginning of year	<u>1,068,002</u>	<u>792,656</u>
Cash and Cash Equivalents, end of year	<u>\$ 637,352</u>	<u>\$ 1,068,002</u>

See accompanying notes to financial statements.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 1 - NATURE OF OPERATIONS

Jewish Free Loan Association ("JFLA") was organized to grant interest-free loans to individuals and occasionally other nonprofit organizations who ordinarily would not be able to obtain standard commercial credit.

Loans for subsistence, housing, emergency needs and education comprise the majority of such loans. Additionally, JFLA continues to be involved in granting loans to individuals who are referred by anti-poverty agencies for purchases of tools, cars and other equipment in conjunction with their employment.

JFLA is affiliated with the Jewish Federation Council of Greater Los Angeles ("JFC"). JFC has provided contributions to JFLA and JFLA participates in JFC's multi-employer defined benefit plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

JFLA is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

JFLA's federal income tax returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2010 and beyond.

Financial Statement Presentation

JFLA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted General Net Assets - Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of JFLA.

Unrestricted Net Assets Designated for Lending Activities - Include contributions related directly to the overarching mission of the organization, the granting of interest-free loans to those in need.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets - Include the part of the net assets of JFLA resulting from contributions and other inflows of assets whose use by JFLA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of JFLA pursuant to those stipulations. Contributions of temporarily restricted net assets whose restriction is satisfied in the current year are shown as unrestricted support.

Permanently Restricted Net Assets - Include the part of the net assets of JFLA resulting from stipulations which are required to be maintained permanently by JFLA. These are generally revolving loan funds that are restricted as to purpose. Generally the donors of these assets permit JFLA to use all or part of the investment return on these assets for unrestricted purposes.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The most significant estimate is the allowance for uncollectible interest-free loans. Actual results could differ from these estimates.

Cash and Cash Equivalents

JFLA considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations

Occasionally, JFLA's bank balances exceed the Federal Deposit Insurance Corporation insured limits. JFLA has not experienced and does not anticipate any losses relating to cash held in these accounts.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or if donated, at the fair value at the date of the gift. Depreciation is computed using the straight-line method over the following estimated useful lives:

Computer equipment	5 years
Office equipment	7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Investments

Investments consist of Federal government bonds, corporate bonds and common and preferred stock. JFLA carries all marketable securities at market value, which is determined by using market quotes for readily marketable securities.

Details on the methods and assumptions used to determine the fair values of the financial assets and liabilities are as follows:

Fair Value Measurements based on Level 1 inputs: Measurements that are most observable are based on quoted prices of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Fair Value Measurements based on Level 2 inputs: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

Fair Value Measurements based on Level 3 inputs: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (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 JFLA 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.

Investments Held by Jewish Community Foundation

Investments are carried at fair market value. Units held in the Common Investment Pool, managed by the Jewish Community Foundation ("JCF") are valued by JCF using the net asset value method. These investments are considered to be Level 3 investments. The additional disclosures required for Level 3 investments have been omitted due to the immateriality of these investments.

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. The review of recoverability is based on management's estimate of the undiscounted future cash flows that are expected to result from the asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provision was recorded by the JFLA during the year ended August 31, 2014.

Revenue Recognition

Contributions, including unconditional promises to give ("pledges"), investment income, and realized and unrealized gains and losses are recognized as revenue and are reported in the statement of activities when received, pledged or notice is received. Annual campaign revenue is recognized when the pledge is made.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

No amounts are reflected in the accompanying financial statements for donated services, as no objective basis is available to measure the value of such services. Additionally, volunteer services do not constitute a significant factor in the operations of the organization.

Subsequent Events

JFLA has evaluated events subsequent to August 31, 2014, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 17, 2015, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as discussed in Note 8.

Reclassification

Certain 2013 balances have been reclassified to conform to the 2014 presentation.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 3 - INVESTMENTS

JFLA reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, JFLA's investments at fair value as of August 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 1,697,109	\$ -	\$ -	\$ 1,697,109
Municipal securities	679,391	-	-	679,391
Mutual Funds	676,972	-	-	676,972
Equities	545,301	-	-	545,301
Israel bonds	-	101,974	-	101,974
Corporate bonds	-	50,767	-	50,767
Other	<u>5,937</u>	<u>-</u>	<u>-</u>	<u>5,937</u>
	3,604,710	152,741	-	3,757,451

The following table sets forth by level, within the fair value hierarchy, JFLA's investments at fair value as of August 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal securities	\$ 983,944	\$ -	\$ -	\$ 983,944
Equities	522,710	-	-	522,710
Closed end funds	459,253	-	-	459,253
U.S. Government bonds	166,245	-	-	166,245
Corporate bonds	<u>-</u>	<u>150,248</u>	<u>-</u>	<u>150,248</u>
	<u>\$ 2,132,152</u>	<u>\$ 150,248</u>	<u>\$ -</u>	<u>\$ 2,282,400</u>

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 3 - INVESTMENTS (Continued)

Activity in the 2014 investments (including those held by an affiliate and for deferred compensation) was as follows:

	<u>Investments</u>	<u>Investments Held by JCF</u>	<u>Investments Held for Deferred Compensation</u>	<u>Total</u>
Balance, beginning of year	\$ 2,488,717	\$ 130,581	\$ 309,379	\$ 2,928,677
Purchases of investments	3,854,032	-	20,000	3,874,032
Donated stock	25,355	-	-	25,355
Reinvested income	87,467	-	-	87,467
Realized gains	18,986	-	-	18,986
Unrealized gains	185,368	13,691	23,693	222,752
Sales of investments	<u>(2,946,167)</u>	<u>-</u>	<u>-</u>	<u>(2,946,167)</u>
Balance, end of year	<u>\$ 3,713,758</u>	<u>\$ 144,272</u>	<u>\$ 353,072</u>	<u>\$ 4,211,102</u>

Investment accounts include cash donated for lending purposes held in investments on a temporary basis before loans are made.

Activity in the 2013 investments (including those held by an affiliate and for deferred compensation) was as follows:

	<u>Investments</u>	<u>Investments Held by JCF</u>	<u>Investments Held for Deferred Compensation</u>	<u>Total</u>
Balance, beginning of year	\$ 2,266,604	\$ 117,178	\$ 279,412	\$ 2,663,194
Purchases of investments	697,438	-	20,000	717,438
Donated stock	9,974	-	-	9,974
Sales of investments	(648,617)	-	-	(648,617)
Realized losses	13,195	-	-	13,195
Unrealized gains	<u>(56,194)</u>	<u>13,403</u>	<u>9,967</u>	<u>(32,824)</u>
Balance, end of year	<u>\$ 2,282,400</u>	<u>\$ 130,581</u>	<u>\$ 309,379</u>	<u>\$ 2,722,360</u>

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 4 - PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue within either temporarily or permanently restricted net assets. Certain promises to give are recorded after discounting at the treasury bill rate existing in the year the promise to give was made. Unconditional promises to give are expected to be realized in the following periods:

	2014	2013
Due in less than one year	\$ 57,760	\$ 73,026
Due in one to five years	1,308,985	1,183,000
	1,366,745	1,256,026
Discount to net present value	(60,292)	(89,850)
	\$ 1,306,453	\$ 1,166,176

JFLA discounted pledges receivable at rates ranging from 0.84% to 4.12%. Management anticipates that all funds will be collected and has established no allowance.

Pledges receivable, net of discount to present value, that are permanently restricted for loan fund programs totaled \$1,292,468 for the year ended August 31, 2014 and 2013.

NOTE 5 - INTEREST-FREE LOANS RECEIVABLE

At August 31, 2014 and 2013, JFLA had approximately 4,400 interest-free loans outstanding. Generally, these loans are uncollateralized (however, most have co-signers) with a repayment schedule of three to five years. The allowances for doubtful accounts have been calculated based on historical rates and represent management's estimate of balances that ultimately may be uncollectible.

Interest-free loans receivable consist of the following:

	2014	2013
Interest-free loans	\$ 11,840,672	\$ 11,136,644
Allowance for doubtful accounts	(135,593)	(126,517)
	\$ 11,705,079	\$ 11,010,127

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 6 - INVESTMENTS HELD FOR DEFERRED COMPENSATION

JFLA has a deferred compensation plan for its executive director. Payments will be made upon the executive director's retirement or death. The plan is funded by a deferred annuity contract with an insurance company and investment assets are included in a separate account. Pursuant to the agreement, any benefits will be payable only from JFLA's general funds and assets.

NOTE 7 - LOAN FUNDS ADMINISTERED FOR OTHERS

JFLA administers loan funds on behalf of two other nonprofit organizations. The amounts advanced by those organizations are included as liabilities within the statements of financial position. The funds have similar criteria to certain of JFLA's own funds. JFLA is required to keep separate accounting for each of these funds. Related assets are included in interest-free loans receivable or in segregated cash and investments accounts, including Assets Held for the Jewish Federation of Orange County.

NOTE 8 - DUE TO AND ADVANCES FROM JEWISH FEDERATION COUNCIL OF GREATER LOS ANGELES

Prior to August 31, 2012, JFLA had recorded a liability of \$544,981 to JFC. As JFC had not pursued collection in many years and because outside legal counsel determined that any future JFC collection efforts would no longer be enforceable, JFLA reversed this amount and recognized "other revenue" in the amount of \$549,889 as of August 31, 2013. Subsequent to August 31, 2014, JFC contacted JFLA regarding this amount and JFLA, and JFC are currently in voluntary discussions regarding this amount. Management is uncertain what amount, if any, may eventually be paid. As a result, JFLA has not recorded a liability as of August 31, 2014.

JFLA paid approximately \$113,596 and \$112,868 for the year 2014 and 2013, respectively, to JFC for the rental of office space, parking and associated security. See Note 13.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2014	2013
Pledges receivable (time restricted)	\$ 13,944	\$ 2,921
Endowment earnings not yet appropriated for expenditure	113,458	15,518
	\$ 127,402	\$ 18,439

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	2014	2013
Becker Graduate Student Loan Fund	\$ 1,522,557	\$ 1,522,557
E. Meltzer Student Loan Fund	1,127,725	1,120,417
Molle Macro Student Loan Fund	950,000	-
Doberne Camper Experience Loan Fund	106,939	106,739
Selma Lerner Adoption Loan Fund	176,020	176,020
Hirsch Family Fund	106,768	106,768
Weisz Family Entrepreneurial Loan Fund	482,500	482,500
Abecassis Small Business Loan Fund	150,000	150,000
Albert Parvin Foundation Student Loan Fund	281,541	262,541
Desser & Schimmel Student Loan Fund	147,880	143,880
Baran Small Business Loan Fund	802,885	793,385
Baran Macro Student Loan Fund	66,336	-
Silbert Goldman Women & Children in Crisis Loan Fund	293,702	279,261
LaKretz Business Loan Fund	290,975	290,500
Mitchell Stein Foundation Student Loan Fund	139,530	134,780
Zerner Day Camp Loan Fund	98,150	98,150
Ziegler Loan Fund for Families of Children with Special Needs	730,797	689,530
Forest Family Loan Fund	103,447	103,447
Silver Artists Loan Fund	100,000	100,000
Matloob Wedding Fund	15,000	15,000
Brandman Nursing Student Loan Fund	945,401	891,101
Kornfeld Accounting Student Loan Fund	110,985	110,985
Powell Women in Business Loan Fund	99,511	99,511
Schimmel Law Student Loan Fund	80,000	80,000
Victor & Nancy Snider Educational Loan Fund	152,188	103,338
Ziering Student Loan Fund	612,900	576,150
Abecassis Loan Fund for University of Santa Monica Students	97,500	50,000
Max Factor Public Health Student Loan Fund	50,000	50,000

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (Continued)

Borun Student Nurse Loan Fund	342,500	250,000
Abby Sher Life Cycle Loan Fund	103,250	100,000
First-time Homebuyer Fund	5,000	5,000
Housing Fund (Annenberg)	98,430	100,000
Annenberg Community Agency Fund	67,500	-
Maurice Amado Foundation Student Loan Fund	250,000	250,000
Ernest Lieblich Colburn School Fund	253,200	200,000
Ziering Emergency Loan Fund	211,075	166,000
Fund For The Future	138,500	138,500
Mark Meltzer Fund for the Future	87,168	-
Veteran's Loan Fund "Strawberry Jam"	303,116	306,666
Mark Taper Foundation Loan Fund	252,500	205,000
Magnolia Place Loan Fund	253,000	253,000
Home Healthcare Loan Fund	41,693	57,775
Angell Student Loan Fund	100,000	100,000
Alzheimer's Dementia Loan Fund	\$ 75,000	\$ 75,000
West Hollywood	8,783	50,000
Brandman Senior Emergency Fund	32,051	50,000
Feit Fertility Loan Fund	436,442	189,290
Kohn Family Arts Fund	45,642	29,975
Goldrich Small Business Fund	38,000	-
Marshall Gluchow Rachmonnes Fund	7,198	-
Bad debts	-	(84,467)
Endowment	1,250,000	1,250,000
Pledges receivable, net of discount	1,298,037	1,163,255
	<u>\$ 15,539,322</u>	<u>\$ 13,391,554</u>

NOTE 11 - ENDOWMENTS

JFLA has interpreted California's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation 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. As a result of this interpretation, the JFLA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 11 - ENDOWMENTS (Continued)

JFLA has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. The investment policy establishes an achievable return objective through diversification of asset classes. The investment objective is to achieve a cumulative return in excess of 5% over a five to ten year time horizon. Actual returns in any given year may vary from this amount. To satisfy its long term rate of return objectives, the JFLA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JFLA targets a diversified asset allocation that places an emphasis on fixed income securities and equity investments to achieve its long term rate of return objectives within prudent risk parameters.

As of August 31, 2014, JFLA estimates the restrictions on its endowments as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 113,458	\$ 1,250,000	\$ 1,363,458
Board-designated endowment funds	<u>1,260,773</u>	<u>-</u>	<u>-</u>	<u>1,260,773</u>
	<u>\$ 1,260,773</u>	<u>\$ 113,458</u>	<u>\$ 1,250,000</u>	<u>\$ 2,624,231</u>

As of August 31, 2013, JFLA estimates the restrictions on its endowments as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 15,518	\$ 1,250,000	\$ 1,265,518
Board-designated endowment funds	<u>1,016,084</u>	<u>-</u>	<u>-</u>	<u>1,016,084</u>
	<u>\$ 1,016,084</u>	<u>\$ 15,518</u>	<u>\$ 1,250,000</u>	<u>\$ 2,281,602</u>

The Board has adopted a spending policy that provides for 5% of the average of the fair values of each investment over the past two fiscal years. In any given year if the total returns, including ordinary income and realized gains, are less than the target annual distribution, the distribution may be made from previously accumulated realized income and gains. Additionally, the Board may authorize distributions beyond this amount if deemed prudent and lawful.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 11 - ENDOWMENTS (Continued)

Activity in the 2014 endowment net assets was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, August 30, 2013	\$ 1,223,199	\$ 15,518	\$ 1,250,000	\$ 2,488,717
Investment income	45,616	47,195	-	92,811
Investment fees	(2,627)	(2,717)	-	(5,344)
Net change in unrealized gains	102,753	106,308	-	209,061
Realized gains	9,332	9,654	-	18,986
Appropriation of endowment assets for expenditure	<u>(117,500)</u>	<u>(62,500)</u>	<u>-</u>	<u>(180,000)</u>
Balance, August 31, 2014	<u>\$ 1,260,773</u>	<u>\$ 113,458</u>	<u>\$ 1,250,000</u>	<u>\$ 2,624,231</u>

Activity in the 2013 endowment net assets was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, August 30, 2012	\$ 1,166,017	\$ 57,702	\$ 1,250,000	\$ 2,473,719
Investment income	40,783	55,616	-	96,399
Investment fees	(206)	(193)	-	(399)
Net change in unrealized gains	(26,897)	(35,107)	-	(62,004)
Appropriation of endowment assets for expenditure	<u>43,502</u>	<u>(62,500)</u>	<u>-</u>	<u>(18,998)</u>
Balance, August 30, 2013	<u>\$ 1,223,199</u>	<u>\$ 15,518</u>	<u>\$ 1,250,000</u>	<u>\$ 2,488,717</u>

NOTE 12 - RETIREMENT BENEFITS

JFLA participates with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit pension plan (the Multiemployer Plan). The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

JEWISH FREE LOAN ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 12 - RETIREMENT BENEFITS (Continued)

- If a participating employer stops contributing to a multiemployer plan, the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers.
- If JFLA chooses to stop participating in the Multiemployer Plan, JFLA may be required to pay the Multiemployer Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Multiemployer Plan covers all full-time employees with more than one year of service hired as of a certain date. Management believes this plan to be underfunded; however, the amount attributable to JFLA is indeterminable at this time and, therefore, any underfunding is not reflected on the accompanying financial statements.

Effective January 1, 2014 the Basic Plan was certified to be in neither endangered nor critical status (Green Zone) because the Basic Plan's funded percentage was greater than 80%. The Jewish Federation Council has not made the Basic Plan's financial information available at December 31, 2014, so the total plan assets and accumulated benefit obligations are being omitted from disclosure. The Basic Plan adopted a Funding Improvement Plan in 2008, which is being adjusted annually as long as the Basic Plan remains in endangered status. The Multiemployer Plan's audited financial statements and Form 5500 for 2013 are available to the public on the Department of Labor website. Retirement benefits are provided for substantially all employees through the Basic Pension Plan for Employees of the Jewish Federation Council of Greater Los Angeles (the "Plan"), a multi employer defined benefit plan of which JFLA is one of the participating employers. JFLA's share of pension costs were approximately \$134,000 for the year 2014.

The Plan has been amended to provide that employees hired after December 31, 2005 will not be eligible to participate in the Plan benefits, but rather will be eligible for a defined contribution plan, which will provide contributions at a set percentage of pay. JFLA's share of the defined contribution plan were approximately \$20,000 for the year 2014.

NOTE 13 - COMMITMENTS

The Company has entered into an operating lease agreement for a term of five years beginning January 1, 2011 which contains provisions for future rent increases and periods in which rent payments are reduced (abated). The difference between the total amount of rental payments due over the lease term calculated on a cash basis versus the straight-line method is not material. The lease agreement contains an option to renew for a three-year period.

JEWISH FREE LOAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013

NOTE 13 - COMMITMENTS (Continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year Ending August 31,

2015	\$ 96,313
2016	<u>32,419</u>
	<u>\$ 128,732</u>