Hebrew Free Loan Association

Financial Statements

FOR THE YEARS ENDED MAY 31, 2025 AND MAY 31, 2024

Contents

Financial Statements

REINSTEIN & ASSOCIATES

33533 W. Twelve Mile Road
Farmington Hills, MI 48331

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hebrew Free Loan Association

Opinion

This report supersedes our report dated July 25, 2025. We have audited the accompanying financial statements Hebrew Free Loan Association (a Michigan Non-Profit Corporation), which comprise the statement of financial position as of May 31, 2025, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Free Loan Association as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility

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

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

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

Other Matter

The financial statements of Hebrew Free Loan Association for the year ended May 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on October 23, 2024

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INDEPENDENT AUDITOR'S REPORT (continued)

Emphasis of Matter – Restatement of Prior-Year Financial Statements

As described in Note 11 to the financial statements, Hebrew Free Loan Association previously recorded a beneficial interest in endowment funds as an asset. Upon further evaluation, it was determined that Hebrew Free Loan Association does not have variance power or other rights that would allow it to control or access these assets. Accordingly, prior-year financial statements have been restated to remove the beneficial interest from assets, with a corresponding adjustment to beginning net assets. Our opinion is not modified with respect to this matter.

Reinstein & Associates

Reinstein & Associates
Farmington Hills, MI

December 16, 2025

Statement of Financial Position

As of May 31,

		2025		2024
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$	3,451,711	$	2,917,734
Unconditional Promises to Give, Net of Long-Term		45,000		37,915
Prepaid Expenses		9,000		3,152
Total Current Assets		3,505,711		2,958,801
LOANS RECEIVABLE				
Loans Receivable		7,547,785		6,516,974
Less Allowance for Doubtful Accounts		(117,195)		(86,857)
Net Loans Receivable		7,430,590		6,430,117
FIXED ASSETS				
Buildings and Improvements		99,685		99,685
Furniture & Fixtures		30,076		30,076
Computer Equipment and Website		307,091		256,241
Total Fixed Assets		436,852		386,002
Less Accumulated Depreciation		(379,333)		(370,262)
Net Fixed Assets		57,519		15,740
OTHER ASSETS				
Investment		1,168,544		1,062,384
Certificates of Deposit		1,678,754		2,903,641
Unconditional Promises to Give, Long-Term		129,279		-
Right of Use Assets, net		75,553		119,117
Total Other Assets		3,052,130		4,085,142
TOTAL ASSETS	$	14,045,950	$	13,489,800

Statement of Financial Position

As of May 31,

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 128,526	$ 140,738
Deferred Revenue	75,000	-
Operating Lease Liability, Current Portion	48,350	42,796
Total Current Liabilities	251,876	183,534
Noncurrent Liabilities		
Operating Lease Liability, Net of Current Portion	29,925	76,866
NET ASSETS		
Net assets with donor restrictions	174,280	37,916
Net assets without donor restrictions	13,589,869	13,191,484
Total Net Assets	13,764,149	13,229,400
TOTAL LIABILITIES AND NET ASSETS	$ 14,045,950	$ 13,489,800

Statement of Activities and Changes in Net Assets

FOR THE YEAR ENDED MAY 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 622,717	$ 454,655	$ 1,077,372
Grants-United Jewish Foundation	172,100	-	172,100
Net Assets Released from Restrictions	318,291	(318,291)	-
Total Support and Revenue	1,113,108	136,364	1,249,472
EXPENSES:			
Program Services:			
Hebrew Free Loans	645,749	-	645,749
WM Davidson Jewish College Loan Program	94,014	-	94,014
Management and General	154,387	-	154,387
Development	164,161	-	164,161
Total Expenses	1,058,311	-	1,058,311
OTHER REVENUE:			
Net Investment Income	179,060	-	179,060
Unrealized Gain on Investments	114,537	-	114,537
Income Distributed from Endowments	49,992	-	49,992
Change in Net Assets from Endowments	-	-	-
Total Other Revenue	343,589	-	343,589
CHANGES IN NET ASSETS	$ 398,386	$ 136,364	$ 534,750
Net Assets, Beginning of year	13,191,483	37,916	13,229,401
Net Assets, End of Year	$ 13,589,869	$ 174,280	$ 13,764,151

Statement of Activities and Changes in Net Assets

FOR THE YEAR ENDED MAY 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 602,262	$ 66,826	$ 669,088
Grants-United Jewish Foundation	174,621	-	174,621
Net Assets Released from Restrictions	159,661	(159,661)	-
Total Support and Revenue	936,544	(92,835)	843,709
EXPENSES:			
Program Services:			
Hebrew Free Loans	599,143	-	599,143
WM Davidson Jewish College Loan Program	94,902	-	94,902
Management and General	152,915	-	152,915
Development	160,312	-	160,312
Total Expenses	1,007,272	-	1,007,272
OTHER REVENUE:			
Net Investment Income	117,356	-	117,356
Unrealized Gain on Investments	276,068	-	276,068
Income Distributed from Endowments	50,848	-	50,848
Change in Net Assets from Endowments	-	-	-
Total Other Revenue	444,272	-	444,272
CHANGES IN NET ASSETS	$ 373,544	$ (92,835)	$ 280,709
Net Assets, Beginning of Year	12,817,939	1,165,038	13,982,977
Prior Period Adjustment	-	(1,034,287)	(1,034,287)
Net Assets, End of Year	$ 13,191,483	$ 37,916	$ 13,229,399

Statement of Functional Expenses

FOR THE YEAR ENDED MAY 31, 2025

	Program Services			Supporting Services		
	Hebrew Free Loan	WM Davidson Jewish College Loan Program	Total Program Services	Management and General	Development	Total Functional Expenses
Salaries and Related Benefits	$ 417,922	$ 47,314	$ 465,236	$ 129,336	$ 124,743	$ 719,315
Credit Losses	51,370	-	51,370	-	-	51,370
Depreciation and Amortization	5,371	3,700	9,071	-	-	9,071
Dues and Membership	-	-	-	2,000	-	2,000
Miscellaneous	5,774	-	5,774	1,135	-	6,909
Occupancy	46,606	-	46,606	2,475	2,484	51,565
Office Administration	77,121	21,926	99,047	1,754	30,204	131,005
Postage	8,386	1,714	10,100	-	2,041	12,141
Printing and Publication	5,569	2,151	7,720	-	-	7,720
Professional Fees and Consulting	24,961	14,978	39,938	15,081	4,689	59,708
Telephone	2,669	2,232	4,901	-	-	4,901
Annual Meeting	-	-	-	2,606	-	2,606
Total Expenses	$ 645,749	$ 94,014	$ 739,763	$ 154,387	$ 164,161	$ 1,058,311

Statement of Functional Expenses

FOR THE YEAR ENDED MAY 31, 2024

	Program Services			Supporting Services		
	Hebrew Free Loan	WM Davidson Jewish College Loan Program	Total Program Services	Management and General	Development	Total Functional Expenses
Salaries and Related Benefits	$ 405,258	$ 45,880	$ 451,138	$ 125,417	$ 120,963	$ 697,518
Credit Losses	18,226	-	18,226	-	-	18,226
Depreciation and Amortization	6,588	4,538	11,126	-	-	11,126
Dues and Membership	-	-	-	2,000	-	2,000
Miscellaneous	5,416	-	5,416	1,065	-	6,481
Occupancy	43,601	-	43,601	2,315	2,324	48,240
Office Administration	75,185	21,376	96,561	1,710	29,446	127,717
Postage	8,639	1,766	10,405	-	2,103	12,508
Printing and Publication	4,596	1,775	6,371	-	-	6,371
Professional Fees and Consulting	29,153	17,493	46,646	17,614	5,476	69,736
Telephone	2,481	2,074	4,555	-	-	4,555
Annual Meeting	-	-	-	2,794	-	2,794
Total Expenses	$ 599,143	$ 94,902	$ 694,045	$ 152,915	$ 160,312	$ 1,007,272

Statement of Cash Flows

FOR THE YEAR ENDED MAY 31,

	2025	2024
Cash Flows From Operating Activities:		
Changes in Net Assets	$ 534,750	$ 280,709
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation and Amortization	56,878	53,233
Credit Losses	30,338	(15,585)
Unrealized Gain on Investments	(106,160)	(109,860)
Change in Operating Assets and Liabilities:		
Unconditional Promises to Give	(136,363)	84,835
Prepaid Expenses	(5,848)	(1,747)
Accounts Payable and Accrued Expenses	(12,214)	13,268
Deferred Revenue	75,000	-
Operating Lease Liability	(45,630)	(41,737)
Net Cash Provided By Operating Activities	390,751	263,116
Cash Flows From Investing Activities:		
Net Changes in Loans Receivable	(1,030,811)	(956,060)
Purchase of Fixed Assets	(50,850)	(1,393)
Net Sales in Investments	1,224,887	1,191,363
Net Cash Provided By (Used For) Investing Activities	143,226	233,910
Net Change in Cash and Cash Equivalents	533,977	497,026
Cash and Cash Equivalents - Beginning of Year	2,917,734	2,420,708
Cash and Equivalents - End of Year	$ 3,451,711	$ 2,917,734

Note 1 – Organization

Hebrew Free Loan Association (the Association) was incorporated in 1895 as a Michigan not-for-profit corporation. The Association's program and supporting services are as follows:

Program services

Hebrew Free Loan

The Association loans funds to members of the Michigan Jewish community whose financial needs cannot be met through traditional means. The loans are made interest-free as required by the Association's charter and in accordance with Jewish tradition.

William Davidson Jewish College Loan Program (formerly Jewish Education Loan Service)

In addition, the Association administers the William Davidson Jewish College Loan Program (JCLP) as part of the Association and on behalf of various community foundations and agencies. The JCLP provides support to students in need, based on certain criteria. The Association provides interest free loans to students through funding provided by community foundations and agencies.

Supporting services

Management and general

Represents the functions necessary to maintain an adequate working environment, provide proper administrative support of the Association's programs and manage the financial and budgeting responsibilities of the Association.

Development

Provides the structure necessary to encourage and secure support from individuals, foundations and corporations.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association operates on a fiscal year ended May 31 and uses the accrual method of accounting for financial statement purposes.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the Association considers all interest-bearing investments due on demand, such as certificates of deposit and with a maturity of three months or less to be cash equivalents. Funds invested in reserve accounts are not considered cash equivalents.

Concentration of Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash. The Association maintains cash balances at financial institutions, and at times balances may exceed the federally issued limit by the Federal Deposit Insurance Corporation. The Association maintains brokerage investments, and balances exceed the issued limit by the Securities Investor Protection Corporation. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Note 2 – Summary of Significant Accounting Policies (continued)

Loans Receivable and Allowance for Uncollectible Accounts

The Association's loans receivable are recorded at the value of the loan proceeds when issued, net of an allowance for credit loss. An allowance for credit loss is an estimate based upon historical account write-off trends and facts about the current financial condition of the debtor. The allowance for credit losses is based on 1.5% of new loans made each month adjusted at year end based on management's evaluation of the loans receivable outstanding at year end. Credit quality is monitored throughout the timing of payments compared to payment terms and known facts regarding the financial condition of the debtors.

Fair Value Measurements

The Association's cash equivalents, certificates of deposits, funded reserves and restricted cash, accounts payable, and debt are carried at amounts which reasonably approximate their fair values.

The Association records its investments in marketable securities and bond funds in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevail financial market information. Any related gains and losses are included in the Statement of Activities.

Depreciation and Fixed Assets

All tangible property is recorded at cost. Expenditures for repairs and maintenance are charged to operations in the year incurred. The Association capitalizes fixed asset purchases over $5,000. Depreciation is being computed over the estimated useful lives of the assets using the straight-line method over the following useful lives:

Computer Equipment and Website	3 years
Furniture and Equipment	5-10 years
Leasehold Improvements	10-15 years

The Association reviews long-lived assets annually to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then recorded amounts of the assets will be reduced to their fair value. No asset impairment losses have been recognized during the fiscal year ended May 31, 2025.

Revenue Recognition

All contributions are reported as increases in net assets without donor restrictions unless specifically restricted by a donor. Amounts that are received that are restricted for specific purposes are reported as increases in net assets with donor restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified from net assets with donor restrictions to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets without donor restrictions.

The Association reports gifts of assets as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived asset with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as increases in net assets with donor restrictions Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services-

The Association recognizes donated assets and services at fair value to the extent that the assets and services would typically have to be purchased by the Association if they had not been provided or contributed. No donated assets or services of this nature were received in the current or prior year.

Amounts of other donated services have not been reflected in the statements since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the Association's program and fundraising efforts.

Functional Expenses

The cost of providing program and support services have been reported on a functional basis in the statements of activities. Wages and related expenses are allocated using an estimate of time and effort. Other costs are allocated between the various programs and support services on an actual basis or based upon reasonable methods such as time spent on various responsibilities performed.

FAS No. 144

The Association has implemented Statement of Financial Accounting Standards No. 144 – Accounting for the Impairment of Long-Lived Assets which required the Association under certain circumstances to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then recorded amounts of the assets will be reduced to their fair value. No asset impairment losses have been recognized during the fiscal year.

Note 2 – Summary of Significant Accounting Policies (continued)

Leases

The Association accounts for leases under FASB ASC842. The Association determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Association has the right to obtain substantially all of the economic benefits for use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the risk-free-rate. The risk-free-rate is defined as the daily treasury per yield curve rated for a period that approximates the lease term.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of the lease incentives received, unamortized initial direct costs, or impairment charges related to the right-of-use asset. Lease expense for minimum lease payments are recognized on a straight-line basis.

Liquidity and Availability of Financial Assets

The Association monitors liquidity required to meet general operating needs while also striving to maximize the investment of excess cash. Financial assets available within one year of the balance sheet date to meet cash needs for general expenditures are as follows for May 31,:

	2025	2024
Cash and Cash Equivalents	$ 3,451,711	$ 2,917,734
Unconditional Promises to Give, Net of Long Term	45,000	37,915
Total Financial Assets as of Year End	$ 3,496,711	$ 2,955,649
Less Donor Restricted Net Assets	(174,280)	(37,916)
Total	$ 3,322,431	$ 2,917,733

The Association has a goal to maintain financial assets on hand to meet a minimum of 60 days of normal operating expenses. The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Also, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. In addition, as part of its liquidity management, the Association may invest cash in excess of daily requirements in various short-term investments, including equity securities, mutual funds, and registered investment companies.

Use of Estimates

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

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended May 31, 2025 and 2024 were $26,132 and $28,602, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Association is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Code requires that exempt tax-exempt organization must comply with federal tax laws to maintain tax-exempt status and avoid penalties.

The Corporation evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to the differences between the basis of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled, respectively. Deferred tax liabilities result primarily from different depreciation methods (shorter lives) used for income tax purposes. Deferred tax assets result primarily from deferred revenues, which are not deductible for tax purposes until realized. The current deferred tax liability is a result of net operating losses carried forward.

The Association has determined whether any tax positions have met the recognition threshold and has measured the Association's exposure to those tax positions. Management believes the Association had adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed and state taxing authorities for four years.

Financial Statement Presentation

The Association presents its financial statements in accordance with ASC 958, which requires the Association to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions – Net assets without donor restrictions represent the resources available for use in carrying on the operations of the Association. This portion is under the discretionary control of the Board of Directors and it is against the fund that all expenditures for current obligations are charged.

- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that may, or will be met, either by actions of the Associations and/or by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional Promises to Give

The Association receives pledges and bequests of financial support. Support revenue is recognized when pledges representing an unconditional promise to give are received. In the absence of such promises, revenue is recognized when pledges are made. Conditional promises to give are not included as support until the conditions are met.

Bequests are recognized as support when the funds are determined to be receivable.

Note 3 – Fair Value Measurement

The Association's investments are stated at fair value. Investments held in the exchange-traded funds are valued at quoted market prices, which represent the net asset value of shares held by the Association at year-end. A summary of investments is as follows:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy defined by FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 Inputs to the valuation methodology are quoted market prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 Inputs to the valuation methodology are unobservable inputs based upon management's best estimates of inputs market participants could use in pricing the asset or liability at the measurement date, including the assumption of risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

While the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2025.

Level 3: The Jewish Federation acts under an arrangement as depositories for gifts, conveyances, and other transfers intended to assist the Association in achieving its goals and purposes. These endowment funds are invested as part of a pooled income portfolio that invests in various equity and fixed-income investments that publicly traded securities. While these investments are classified at various levels in the financial statements of UJF, the Association must classify the investments as Level 3 investments in the specific investments is not readily available to recalculate fair value of said investments.

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

The government cash reserves and money markets are included in replacement reserve on the statement of financial position as of May 31, 2025.

Note 3 – Fair Value Measurement (continued)

The following tables set forth by level, within the hierarchy, the Association's assets measured at fair value on a recurring basis as of May 31, 2025:

	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Conditions (Level 2)	Significant Unobservable Inputs (Level 3)	Total
UJF Balanced Pool	$ -	$ -	$1,168,544	$1,168,544

The following tables set forth by level, within the hierarchy, the Association's assets measured at fair value on a recurring basis as of May 31, 2024:

	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Conditions (Level 2)	Significant Unobservable Inputs (Level 3)	Total
UJF Balanced Pool	$ -	$ -	$1,062,384	$1,062,384

The following schedule summarizes changes in UJF Balanced Pool for the years ended May 31, 2025 and 2024:

	UJF Balanced Pool
Balance at May 31, 2023	$ 952,524
Changes in Beneficial Interest in UJF Balanced Pool	117,346
UJF Fees	(7,496)
Balance at May 31, 2024	$1,062,384
Changes in Beneficial Interest in UJF Balanced Pool	114,987
UJF Fees	(8,827)
Balance at May 31, 2025	$1,168,544

Note 4 – Leases

On January 1, 2024, the Association entered into a three-year lease amendment with UJF. The Association receives a grant allocation from UJF for a portion of the lease payment. The Association also entered into a new lease for a copier in 2024 that requires payments of $282 for 48 months.

The Association has elected the option to use the risk-free rate to all classes of leased assets determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The Association has elected the practical expedient to not separate lease and non-lease components for all classes of leased assets.

The following summarizes the line items in the Statement of Financial Position which include balances for operating leases as of May 31, 2025 and 2024, respectively:

	2025	2024
Operating Lease Expense	$ 47,039	$ 44,724
Right-of-Use Assets Obtained in Exchange for Lease Liabilities: Operating Leases	$ -	$137,199

The weighted average remaining lease term of third-party operating leases as of May 31, 2025 and 2024 was 1.67 and 2.66 years, respectively. The weighted average discount rate of third-party operating leases at May 31, 2025 and 2024 were 5.23% and 5.16% respectively.

As of May 31, 2025, maturities of lease liabilities were as follows:

	Operating Leases
2026	$48,350
2027	30,067
2028	1,410
	$ 79,827
Less Imputed Interest	(1,552)
Total Lease Obligation	$ 78,275

There were no material operating leases that the Association had entered into and that were not yet to commence as of May 31, 2025.

Note 5 – Defined Contribution Retirement Plan

The Association offers a defined contribution 403(b) retirement plan to all employees who meet eligibility requirements. The Plan allows for employee contributions along with a discretionary employer contribution of four percent (4%) of eligible employees' salary. Employer contributions to the Plan are $25,660 and $23,460 as of May 31, 2025 and 2024, respectively.

Note 6 – Net Assets with Donor Restrictions

The Association's had net assets with donor restrictions as of May 31:

	2025	2024
Purpose Restrictions:		
Pledges Receivable for Future Loan Capacity	$ 174,279	$ 37,916
Total Net Assets with Donor Restrictions	$ 174,279	$ 37,916

As of May 31, 2025 and 2024, the Board of Directors has not designated any assets without donor restrictions for long-term investment purposes.

Note 7 – Loans Receivable and Loans Payable

The Association is responsible for the administration of the William Davidson Jewish College Loan Fund (WDJCLP) on behalf of various foundations and community agencies. The loan receivable, with a face value of approximately $10,164,230 and $10,082,192 at May 31, 2025 and 2024, respectively, represent the balance of loans made to students with a corresponding loan payable to the funding foundations and agencies of the WDJCLP, respectively.

The WDJCLP loans are not reflected on the statement of financial position of the Association because the Association is only an administrator of the loans. The Association has no credit risk associated with the collectability of these loans receivable. Accordingly, an amount payable has been recorded to offset the loan funds.

The Association provides loans for a number of specific and general purposes to members of the Jewish community. The loans interest free and unsecured but generally require that the loan be co-signed by a guarantor. The loans are issued as on demand notes with no repayment schedule.

The loan activity associated with the Association's programs is as follows for the year ended May 31,

	2025	2024
Balance at the Beginning of Year	$6,430,117	$5,458,472
Loans Made	4,430,024	4,273,250
Loan Repayments	(3,440,355)	(3,283,480)
Loan write-offs	(19,534)	(2,540)
Change in allowance for credit loss	30,338	(15,585)
	$7,430,590	$6,430,117

Note 8 – Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to May 31, 2025, the most recent balance sheet presented herein, through November 25, 2025, the issuance date of these financial statements.

Note 9 – Unconditional Promises to Give

Donors pledge contributions to the Association are received over a period of years. The pledge is recorded as an unconditional promise to give in the year promised at the present value of expected future cash flows, net of allowances for uncollectible amounts. The present value is computed using the appropriate discount rates of 3.57% at May 31, 2025 and 2024.

The Association has calculated an allowance for uncollectible pledges receivable based on management's judgement. The factors that were considered in the calculation are prior collection history and type of contributions

Unconditional promises to give are recorded as net assets with donor restrictions until received.

Unconditional promises to give are as follows at May 31,

	2025	2024
Receivables in Less Than One Year	$ 45,000	$ 37,916
Receivables Greater Than One Year	140,000	2,784
Less: Allowance for Uncollectible Pledges	(10,175)	(2,239)
Less: Discount to Net Present Value	(546)	(546)
Net Unconditional Promises to Give	$ 174,279	$ 37,915

Note 10 – Endowment Funds

Endowment Funds Held by Third-Party Trustee

The Association is the beneficiary of certain perpetual endowment funds that are legally owned and administered by the United Jewish Foundation ("UJF"). These endowment funds were established by donors for the benefit of the Association; however, the assets are held and controlled by UJF. The Association does not have variance power or other rights that would allow it to redirect, access, or control the underlying endowment corpus. Accordingly, the Association does not recognize the endowment assets as beneficial interests or investments in its financial statements.

The Association's interest in these endowment funds is limited to receiving annual distributions in accordance with UJF's spending policy, which generally provides for distributions of approximately 5% of the endowment fund's average market value. Distributions received from UJF are recognized as contribution revenue in the period received and classified as net assets with donor restrictions or without donor restrictions based on the applicable donor stipulations.

Interpretation of Relevant Law

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original donor-restricted gifts to the endowment funds, absent explicit donor stipulations to the contrary. Because the Association does not hold or control the endowment assets, this interpretation is applied by UJF in its administration of the endowment funds. The Association's financial statements reflect only the distributions received from UJF, not the underlying endowment assets or related investment activity.

Note 10 – Endowment Funds (continued)

Spending Policy and Distributions

Under UJF's spending policy, distributions to the Association are generally calculated using a spending rate of approximately 5.5% based on a multi-year moving average of the endowment fund's market value. Distributions are typically made quarterly and are intended to provide a predictable stream of support to the Association's programs while preserving the long-term purchasing power of the endowment funds. The Association recognizes these distributions as contribution revenue in the period in which they are received.

Return Objectives and Risk Parameters

The endowment funds are invested and held at UJF. The investment policies for endowment assets attempt to provide a predictable stream of funding to the programs and are supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the governing board of UJF, the endowment assets are invested in a manner that is intended to produce results that exceed 5% annually while assuming a moderate level of investment risk.

Donor Commitments to Establish Endowment Funds

During the year ended May 31, 2025, certain donors committed a total of $2,801,907 to the Association for the purpose of establishing and growing endowment funds held by UJF. In accordance with donor instructions, these amounts were contributed directly to UJF and are legally owned and administered by UJF.

Because the Association does not receive the contributed assets and does not have variance power or other rights to control the underlying endowment corpus, the Association does not recognize these contributions or related endowment assets in its financial statements. In accordance with accounting principles generally accepted in the United States of America, including ASC 958-605 and ASC 958-30, the Association recognizes revenue related to these endowment funds only when distributions are received from UJF.

Note 11 – Prior-Period Adjustment

During the year ended May 31, 2025, the Association identified an error in the prior-year financial statements related to the recognition of a beneficial interest in perpetual endowment funds held by UJF. In the prior year, the Association recorded its interest in the endowment funds as an asset and recognized related endowment income. Upon further evaluation of the governing endowment agreements, it was determined that the Association does not have variance power or other rights that would allow it to control or access the underlying endowment assets. The Association's interest is limited to receiving annual distributions, generally calculated at approximately 5% of the endowment fund's value, in accordance with UJF's spending policy.

As a result, the Association concluded that recognition of the beneficial interest as an asset, as well as the related endowment income, did not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Accordingly, the Assocation corrected this error by removing the beneficial interest from assets and reversing endowment income previously recognized, with a corresponding prior-period adjustment to net assets with donor restrictions as of May 31, 2024.

Note 11 – Prior-Period Adjustment (continued)

The effect of this correction on the Organization's financial position and activities for the year ended May 31, 2024 was as follows:

- Decrease in assets: $1,098,046
- Decrease in net assets with donor restrictions (opening balance): $1,034,287
- Decrease in change in net assets with donor restrictions for the year ended May 31, 2024: $63,759