

*The PROVIDENT LOAN
SOCIETY of NEW YORK*



116th ANNUAL REPORT - 2010

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STATEMENT OF FINANCIAL POSITION

December 31,

2010

2009

ASSETS

Cash	\$ 235,751	\$ 212,094
Loans on pledged articles - net	17,334,076	15,446,704
Accrued interest on loans	1,583,347	1,360,616
Fees receivable	326,526	305,159
Prepaid insurance	98,444	75,099
Security deposit (Note 4)	150,863	151,348
Deferred charges and sundry assets	190,550	137,492
Fixed assets – net (Note 3)	<u>635,019</u>	<u>695,619</u>
Total assets	<u>\$ 20,554,576</u>	<u>\$ 18,384,131</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Liabilities:

Bank loans payable (Note 10)	\$ 6,640,000	\$ 5,550,000
Excess of proceeds from auction sales over loans (Note 5)	1,967,078	1,850,907
Security deposit payable (Note 4)	150,863	151,348
Accrued pension benefit obligation (Note 6)	1,602,974	1,761,421
Liability for postretirement welfare benefits (Note 6)	1,099,679	1,166,771
Sundry accruals and payables	<u>80,596</u>	<u>157,336</u>
Total Liabilities	11,541,190	10,637,783
 Unrestricted net assets:	 11,548,016	 10,290,843
Undesignated		
Retirement benefits not yet recognized in operating expenses (Note 6)	<u>(2,534,630)</u>	<u>(2,544,495)</u>
Total unrestricted net assets	9,013,386	7,746,348

Total Liabilities and

Unrestricted Net Assets

\$ 20,554,576 **\$ 18,384,131**

See notes to financial statements.

STATEMENT OF ACTIVITIES

	Year ended December 31,	
	2010	2009
Changes in Unrestricted Net Assets:		
Operating and other revenue:		
Interest earned on loans	\$ 4,844,514	\$4,347,873
Fees income	609,791	568,736
Interest earned on money market accounts	221	503
Rental income	201,063	200,235
Income from air rights (Note 8)	<u>195,000</u>	<u>195,000</u>
Total unrestricted operating revenue and support	5,850,589	5,312,347
Operating Expenses (Note 11):		
Salaries	1,883,448	1,706,554
Employee health and life insurance benefits	292,811	258,214
Pension and other postretirement benefit plans (Note 6)	563,321	621,725
Interest on bank loans	266,106	217,383
General expenses	703,407	621,567
Advertising	224,407	248,711
Real estate and other taxes	343,051	327,024
Rent and maintenance (Note 7)	155,088	135,753
Loan losses	87,314	141,187
Depreciation and amortization	<u>74,463</u>	<u>74,430</u>
Total operating expenses	4,593,416	4,352,548
Change in unrestricted net assets before		
additional pension obligations	1,257,173	959,799
Change in pension and other postretirement related charges other than net periodic costs (Note 6)	<u>9,865</u>	<u>164,258</u>
Change in unrestricted net assets	1,267,038	1,124,057
Unrestricted Net Assets: Beginning	<u>7,746,348</u>	<u>6,622,291</u>
Ending	<u>\$9,013,386</u>	<u>\$7,746,348</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

	Years ended December 31,	
	2010	2009
Cash flows from operating activities:	\$1,267,038	\$1,124,057
Change in unrestricted net assets		
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization	74,463	74,430
Reserve for loan loss	(17,586)	107,586
Loan disbursements	(8,611,716)	(7,719,255)
Loan receipts	6,741,930	7,063,550
Changes in operating assets and liabilities:		
Decrease (increase) in fees receivable	(21,367)	275
Decrease (increase) in accrued interest on loans	(222,731)	15,182
Decrease (increase) in deferred charges, sundry assets and prepaid insurance	(76,403)	104,994
Increase in excess of proceeds from auction sales over loans	116,171	210,134
(Decrease) increase in sundry accruals and other payables	(76,740)	(48,205)
(Decrease) increase in accrued pension benefit obligation	(158,447)	(421,728)
Increase (decrease) in liability for postretirement welfare benefits	<u>(67,092)</u>	<u>109,427</u>
Net cash used in operating activities:	(1,052,480)	620,447
Cash used in investing activities:		
Purchase of fixed assets	(13,863)	(44,820)
Cash flows from financing activities:		
Proceeds from bank loans	3,050,000	4,375,000
Principal payments on bank loans	<u>(1,960,000)</u>	<u>(4,975,000)</u>
Net cash provided by financing activities:	1,090,000	(600,000)
Net change in cash	23,657	(24,373)
Cash: Beginning	<u>212,094</u>	<u>236,467</u>
Ending	<u>\$ 235,751</u>	<u>\$ 212,094</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 244,716</u>	<u>\$ 197,189</u>
Total loans granted including renewals	<u>\$ 29,527,511</u>	<u>\$ 26,826,076</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. ORGANIZATION

The Provident Loan Society of New York (the “Society”) was organized in the early 1890’s as an organization where people in need could borrow funds. The Society is entitled to act as a pawnbroker and is subject to all of the provisions of the laws of New York State concerning pawnbrokers, except that it is not required to obtain a license or file a bond. Its objective is to provide dignified low-cost loan facilities to all person who desire to borrow money principally on mounted diamonds and gold jewelry.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Assets and liabilities, and revenue and expenses are recognized on the accrual basis of accounting in conformity and accounting principles generally accepted in the United States of America for not-for-profit organizations.

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

Cash – The Society maintains cash bank accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

Fees Receivable – The Society charges processing and storage fees for collateral items when new loans are issued. The fees are not required to be paid until the loan is repaid. These fees are accrued when new loans are issued.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets – Fixed assets have been stated at cost less accumulated depreciation and amortization. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets, which approximate 15 years and 5 years, respectively, on a straight-line basis. Leasehold improvements are amortized over the lesser of the related useful life of the asset or the lease term.

Loans on Pledged Articles – All loans are advanced for a term of 6 months. The Society reduces the possibility that a loan loss may occur generally by limiting the amount loaned to substantially less than 100% of the estimated auction value of the collateral for most loans. In accordance with New York law, the Society accrues interest for no more than 15 months after a loan is initiated or renewed. Collateral is offered for auction generally within 6 months of the expiration date of the related loan.

Advertising and Promotional Costs – Advertising and promotional costs are charged to operations when incurred.

Loan Losses – Loan losses are recorded when a sale of collateral at auction earns less than the value of the loan, including accrued interest. In addition, management evaluates loan balances at year-end to determine if an additional loan loss reserve is necessary. Loan loss reserves are provided by management and based on the history of loan losses. The loan loss reserve for December 31, 2010 and 2009 was \$90,000 and \$107,586, respectively.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value – Effective January 1, 2008, the Society adopted Financial Accounting Standards Board ("FASB") Statement No. 157, now referred to as Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820-10 had no effect on assets, net assets or change in net assets as of and for the year ended December 31, 2010.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Society uses various methods including market, income and cost approaches. Based on these approaches, the Society often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Society utilizes valuation techniques that maximize use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Society is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended December 31, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes: The Society is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and from state income taxes.

The Society recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management evaluated the Society's tax positions and concluded that the Society had taken no uncertain tax positions that require adjustment to the financial statements. Generally, the Society is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Subsequent Events: The Society evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was May 9, 2011 for these financial statements.

Note 3. FIXED ASSETS

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$74,463 and \$74,430, respectively.

The components of fixed assets are as follows:

	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$1,548,172	\$1,548,172
Equipment	754,014	747,734
Leasehold improvements	<u>157,578</u>	<u>149,995</u>
	2,459,764	2,445,901
Lease accumulated depreciation and amortization	<u>2,202,720</u>	<u>2,128,257</u>
Building, equipment and leasehold improvements – net	257,044	317,644
Land	<u>377,975</u>	<u>377,975</u>
	<u>\$ 635,019</u>	<u>\$ 695,619</u>

Note 4. SECURITY DEPOSITS

Security deposits are invested in money market funds and marketable bonds measured at fair value. At December 31, 2010 and 2009, all such items were recorded at fair value based on quoted market prices in active markets for identical assets (Level 1).

	<u>2010</u>	<u>2009</u>
Money market fund	\$ 48,202	\$ 48,443
Municipal bond	<u>102,661</u>	<u>102,905</u>
	<u>\$ 150,863</u>	<u>\$ 151,348</u>

Note 5. PROCEEDS FROM AUCTION SALES

The excess of proceeds from auction sales over loans is payable to the pledgors. If unclaimed, proceeds are remitted to New York State under the escheat laws.

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS**

The Society maintains a defined benefit pension plan covering substantially all of its employees, and life insurance benefits and contributory group medical benefits for all full-time employees who retire from the Society after active service. The pension plan assets are held in an immediate participation guarantee contract, which is administered by the Metropolitan Life Insurance Company. Dividends and credits become part of the pension plan assets as they are earned.

The following table summarizes the benefit obligations, fair value of assets and funded status over the two-year period ended December 31, 2010 and 2009:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Change in benefit obligation:				
Benefit obligation at beginning of year	\$6,595,501	\$6,299,412	\$1,166,771	\$1,057,344
Service costs including expenses	44,510	18,929	18,394	16,985
Interest cost	387,078	383,345	58,893	66,584
Plan amendments	-	-	-	(35,412)
Actuarial loss/(gain)	452,900	296,751	(113,560)	96,719
Benefits payments and expected expenses	<u>(396,761)</u>	<u>(402,936)</u>	<u>(30,819)</u>	<u>(35,449)</u>
Benefit obligation at end of year	<u>7,083,228</u>	<u>6,595,501</u>	<u>1,099,679</u>	<u>1,166,771</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	4,834,080	4,116,263	-	-
Actual return on plan asset	570,156	624,581	-	-
Employer contributions	500,000	500,000	-	-
Benefit payments and expected expenses	<u>(423,982)</u>	<u>(406,764)</u>	<u>(30,819)</u>	<u>(35,449)</u>
Fair value of plan assets at end of year	<u>5,480,254</u>	<u>4,834,080</u>	-	-
Funded status, end of year	<u>(1,602,974)</u>	<u>(1,761,421)</u>	<u>(1,099,679)</u>	<u>(1,166,771)</u>

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

December 31,	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Amounts recognized as liabilities in the statement of financial position	<u>\$(1,602,974)</u>	<u>\$(1,761,421)</u>	<u>\$(1,099,679)</u>	<u>\$(1,166,771)</u>
Amounts recognized as Cumulative changes in pension and other postretirement costs other than net periodic costs:				
Prior service credit	\$ -	\$ -	\$ 57,089	\$ 62,301
Net (loss) gain	<u>(2,625,682)</u>	<u>(2,527,199)</u>	<u>33,963</u>	<u>(79,597)</u>
Net amount recognized	<u>\$(2,625,682)</u>	<u>\$(2,527,199)</u>	<u>\$ 91,052</u>	<u>\$ (17,296)</u>

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Components of Net Benefit Cost:				
Components of net periodic benefit cost:				
Service cost	\$44,510	\$18,929	\$18,394	\$16,985
Interest cost	387,078	383,345	58,893	66,584
Expected return on plan assets	(345,861)	(278,165)	-	-
Amortization of prior Service credit	-	-	(5,212)	(5,212)
Amortization of net (gain) loss	157,343	184,940	-	-
Net periodic cost	243,070	309,049	72,075	78,357
Change in pension and postretirement costs other than net periodic costs				
Net (gain) loss	255,826	(45,837)	(113,560)	96,719
Prior service credit	-	-	-	(35,412)
Amortization of net gain (loss)	(157,343)	(184,940)	5,212	5,212
Net other than periodic cost	98,483	(230,777)	(108,348)	66,519
Net benefit cost (credit)	\$ 341,553	\$ 78,272	\$ (36,273)	\$144,876

The estimated net gain (loss) and prior service cost for the pension plan that will be amortized from accumulated change in unrestricted net assets into net periodic cost over the next fiscal year are \$(156,000) and \$0, respectively. The estimated net gain (loss) and prior service cost for the postretirement plan that will be amortized from unrestricted net assets into net periodic cost over the next fiscal year are \$0 and \$5,212, respectively.

Change in pension and other postretirement changes other than net periodic cost recognized in operating expenses is \$(9,865) and \$(164,258) for the years ended December 31, 2010 and 2009, respectively.

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

	Pension benefits		Postretirement benefits	
	2010	2009	2010	2009
Weighted-average assumptions as of December 31:				
Discount rate	5.50%	6.00%	5.50%	6.00%
Expected return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	N/A	N/A	4.00%	4.00%

The projected benefit obligation was actuarially determined using an assumed discount rate of 5.5% and 6.0% for the years ended December 31, 2010 and 2009, respectively. The assumed rate of future decreases in healthcare in 2010 was 14.43% and is expected to gradually increase to 6.1% for pre-Medicare and Medicare eligible after 2015.

The effect of a one-percentage-point increase in the assumed healthcare cost trend rates for each future year on the accumulated postretirement benefit obligation for healthcare benefits and the aggregate of the service and interest cost components of net periodic postretirement healthcare benefit cost as of December 31, 2010 is as follows:

	Accumulated Postretirement Benefit Obligation	Service and Interest Cost
At trend	\$ 1,099,679	\$ 77,287
At trend + 1 %	1,196,796	84,743
Dollar impact	97,117	7,456
Percentage impact	8.83 %	9.65 %
At trend - 1 %	1,017,929	71,025
Dollar impact	(81,750)	(6,262)
Percentage impact	(7.43)%	(8.10)%

Note 6. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (continued)

The Society's overall investment strategy is to achieve a mix of approximately 75% of investments for long-term growth and 25% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 45% equity securities, 50% fixed income, and 5% for real estate. Equity securities mainly include investments in large-cap and mid-cap companies primarily located in the United States. Fixed income securities include federal agency and corporate commercial paper, certificates of deposit, mortgage and asset-backed securities, and U.S. Treasury bills. Real estate invests primarily in the real estate of publicly traded companies.

The Society's pension plan assets at December 31, 2010 and 2009, by asset category, are as follows:

Asset Category	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservab le Inputs (Level 3)
Cash	\$ 20,014	\$ 20,014	\$ -	\$ -
Equity securities: Mutual funds ^(a)	2,883,185	2,883,185		
Debt securities:				
Intermediate duration bond fund	1,151,107	-	1,151,107	-
Broad market bond fund	1,153,511	-	1,153,511	-
Real estate	272,437		272,437	
Total	\$ 5,480,254	\$ 3,175,636	\$ 2,304,618	\$ -

(a) This category represents small- and large-cap funds invested in various common stocks.

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

The Society's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by the Society and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

The Society's pension plan weighted-average asset allocations at December 31, 2010 and 2009 by asset category are as follows:

Asset Category:	Pension Plan	
	2010	2009
Cash equivalents	0%	0%
Equity securities	53%	47%
Debit securities	42%	47%
Real estate	6%	5%
Total	100%	100%

The Society expects to contribute \$500,000 to its defined benefit pension plan in 2011.

**Note 6. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending December 31,	Pension Benefits	Postretirement Benefits
2011	\$ 445,157	\$ 51,408
2012	458,014	60,869
2013	447,750	63,265
2014	461,605	62,640
2015	452,290	56,357
2016 to 2020	2,367,162	344,215

Effective December 31, 2003, the Society froze the existing retirement plan and no additional benefits will accrue in that plan. Effective January 1, 2004, the Society adopted a defined contribution plan covering substantially all its employees. Contributions to the defined contribution plan totaled \$239,536 and \$226,819 in 2010 and 2009, respectively. As a result of freezing the retirement plan, the benefit obligation at December 31, 2003 was reduced by \$1,066,086 at that date.

Note 7. LEASE OBLIGATION

The Society opened its Bay Ridge office on May 19, 1986. In 2006, the lease on the property was extended to expire in 2012. Rent expense was \$62,331 and \$60,987 for the years ended December 31, 2010 and 2009, respectively. The following is a schedule of future minimum rental payments:

Year ending December 31,	Payments
2011	\$60,600
2012	20,200
	<u>\$80,800</u>

Note 8. INCOME FROM AIR RIGHTS

The Society has agreements leasing its air rights over its Executive Office Building and the Lenox Hill Office. At December 31, 2010, rental income was billed at the annual rate of \$195,000. The lease for the Lenox Hill Office resets as a result of reappraisals every ten years. The next appraisal is due in 2017.

Note 9. INCOME FROM OPERATING LEASE AGREEMENTS

The Society has entered into operating lease agreements with two tenants at its Executive Office Building. The leases expire in the years 2010 and 2013, respectively. The following is a schedule of future minimum lease payments:

<u>Year ending December 31,</u>	<u>Payments</u>
2011	236,678
2012	193,245
2013	14,675
	<u>\$ 444,598</u>

Note 10. BANK LOANS PAYABLE

The Society has an available line of credit aggregating \$6,000,000 under which there were outstanding bank borrowings of \$6,000,000 as of December 31, 2010. Interest on the line of credit is calculated using a variable base rate plus .5%, but not less than 3.75%.

The Society has another available line of credit of \$3,000,000 under which there were outstanding bank borrowings of \$640,000 as of December 31, 2010. Interest on the line of credit will be calculated at LIBOR plus 2.997%.

Note 10. BANK LOANS PAYABLE (continued)

For both lines of credit, interest was based on the bank's prime rate, which was 3.25% during 2010. The interest rates for both these lines of credit were 3.75% and 3.26% at December 31, 2010. Borrowings are all considered short-term. There are no significant restrictions on the Society's assets.

The lines of credit both have two covenants requiring the Society to maintain certain unrestricted net asset balances and maintain a certain total liabilities to unrestricted net assets ratio.

Note 11. OPERATING EXPENSES

Total operating expenses consist of the following for the year ended December 31:

	2010	2009
Program Services	\$2,778,959	\$2,617,788
Management and general	1,814,457	1,734,760
	<u>\$4,593,416</u>	<u>\$4,352,548</u>

INDEPENDENT AUDITOR'S REPORT

To the Trustees of
The Provident Loan Society of New York
New York, New York

We have audited the accompanying statements of financial position of The Provident Loan Society of New York (the "Society") as of December 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP
New York, New York
May 9, 2011

ANALYSIS OF LOANS MADE

2010

Amounts (inclusive)	Total number of loans	Percentages of totals	
\$1 to \$49	821	2.1% of loans were for less than \$50	2.1%
\$50 to \$124	3,494	11.0% of loans were for less than \$125	8.9%
\$125 to \$199	3,707	20.4% of loans were for less than \$200	9.4%
\$200 to \$499	12,380	51.8% of loans were for less than \$500	31.4%
\$500 to \$749	6,084	67.2% of loans were for less than \$750	15.4%
\$750 to \$999	3,392	78.8% of loans were for less than \$1000	8.6%
\$1,000 to \$1,999	6,142	91.4% of loans were for less than \$2,000	15.6%
\$2,000 and Over	3,421		8.7%
Total	39,441		100%

AUCTION SALE ANALYSIS

	2010	2009
Loans sold (number)	1,819	2,792
Loans sold (principal)	\$1,276,660	\$1,594,288
Accrued interest & fees thereon	\$503,866	\$579,062
Total amount due society	\$1,780,526	\$2,173,350
Surplus realized for borrowers	\$859,028	\$924,747
Loss sustained by society	\$105,036	\$33,601

STATEMENT OF TRANSACTIONS

	2010	2009
New loans made:		
Number	9,023	9,294
Amount	\$6,832,113	\$6,905,215
Average	\$757	\$743
Loans made upon increase of principal*:		
Number	7,323	3,577
Amount	\$7,231,314	\$3,631,435
Loans made upon part payment of principal:		
Number	1,870	1,817
Amount	\$1,957,858	\$1,668,029
Loans made upon payment of interest only:		
Number	21,225	24,397
Amount	\$16,655,797	\$16,871,390
<hr/>		
Total loans made:		
Number	39,441	39,085
Amount	\$32,677,082	\$29,076,069
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Loans paid in full:		
Number	7,067	7,290
Amount	\$4,946,510	\$4,886,486
Loans paid by increase of principal*:		
Number	7,323	3,577
Amount	\$5,451,711	\$2,817,395
Loans sold:		
Number	1,821	2,792
Amount	\$1,279,785	\$1,594,288
Loans paid upon part payment of principal**:		
Number	1,870	1,817
Amount	\$2,473,493	\$2,250,805
Loans paid by payment of interest only:		
Number	21,225	24,397
Amount	\$16,655,797	\$16,871,390
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Total loans paid and sold:		
Number	39,306	39,873
Amount	\$30,807,296	\$28,420,364
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*Increases granted	\$1,779,603	\$814,040
**Part payments received	\$515,635	\$582,776

NOTES

THE PROVIDENT LOAN SOCIETY OF NEW YORK

A UNIQUE INSTITUTION

In the strictest sense of the term, The Provident Loan Society of New York is unique. It is a corporation – without stockholders – not operated for profit – operated to aid those in need, the loan of money on the pledge of personal property.

ORIGIN

The Society was organized during one of the most severe money panics in our history. In the early 1890's misery and destitution was the order of the day. For much of the population of New York City there were no opportunities for employment. Relief agencies were unable to give anything approximating adequate help. There was no agency available where people in need could borrow small sums to tide them over periods of stress at rates that were not extortionate and ruinous.

In an article appearing in the "Charities Review" of that time, published by the Charity Organization Society of the City of New York (now the Community Service Society of New York), Mr. Alfred Bishop Mason suggested that the group of men to which he belonged should unite "to lend money at low rates on good security." He said

"There is no merchant in this community who would not be driven into bankruptcy if his unsecured bills payable bore the rate of interest which the poor have to pay on the most undoubted security. Borrowing is often the greatest necessity; let the Anglo-Saxons learn from the Latins and build up in New York a Monte-de-Piete where it shall not be shame and ruin to borrow, and where self-respect need not make part of every pledge."

A little over two years after this article was published, The Provident Loan Society of New York, through the efforts of its incorporators, was organized by special act of the legislature of the State of New York.

INCORPORATION

The act incorporating the Society constituted as a body corporate Otto T. Bannard, Charles C. Beaman, Henry R. Beekman, William L. Bull, Frederic R. Coudert, Charles F. Cox, John D. Crimmins, R. Fulton Cutting, Robert W. deforest, William E. Dodge, Charles S. Fairchild, David H. Greer, Abram S. Hewitt, James J. Higginson, Adrian Iselin, Jr., D. Willis James, John S. Kennedy, Seth Low, Solomon Loeb, Alfred B. Mason, Victor Morawetz, J. Pierpont Morgan, Oswald Ottendorfer, Jacob H. Schiff, Gustav H. Schwab, Charles S. Smith, James Speyer, Walter Stanton, J. Kennedy Tod, Abraham Wolff, and Cornelius Vanderbilt and their associates and successors under the name The Provident Loan Society of New York.

“for the purpose of aiding such persons as said Society shall deem in need of pecuniary assistance, by loans of money at interest, upon the pledge or mortgage of personal property.”

The act further provided

“said Society shall be entitled to act as pawnbroker and shall be subject to and entitles to all the benefits of the provisions of the laws of this State concerning pawnbrokers, except that it shall not be required to obtain a license of file a bond.”

The devotion of the founders to the purpose of the Society is shown anew in connection with the financing of the Society. In this panic period money was most difficult to procure for any purpose; there was

organized for charitable purposes. Its founders advanced to the Society whatever they could afford to give out of their own capital – and received in exchange therefore Certificated of Contribution. Such a Certificate gave neither voting rights nor the right to share in the surplus of the Society. It merely acknowledged receipt of a contribution. The holder had the right to receive interest on his contribution for any one year, not in excess of 6%, but that could be paid only out of earnings and only on the vote of the trustees. To meet the tremendous demand, the founders endorsed the notes of the Society, lending their credit. Their reputation have standing to the Society, so that many made subscriptions. At one time these outstanding Certificates of Contribution amounted to \$22,500,000. As soon as the trustees determined that these funds were no longer needed for the operation of the Society they directed that all outstanding Certificates of Contribution should be repaid. Accordingly Certificate holders were notified that the Society would repay all Certificates on September 30, 1944, at which time interest thereon would cease. This was accomplished.

OPERATION

The unique “business” of The Provident Loan Society is managed by a board of twelve to fifteen trustees, each of whom must be a member of the Society. The founders set high objectives and standards of conduct. The purpose of the undertaking was not only to make loans to those in need of such help at the lowest practicable cost, but also to exercise the utmost regard for the moral and legal rights of borrowers. Further, the project should be self-sustaining and no trustee of the Society should receive any compensation for his services or any profit other than lawful interest on money loaned to it. To persist in these fundamental objectives, to perpetuate the aims of the founders, and to safeguard the philanthropic character of the institution has been the continuing function of succeeding boards of trustees.

In recent years the Society has served approximately 40,000 people annually and in time of economic strife has served an estimated 700,000 people in a single year. In 2010, fifty-two percent of all loans made by the Society were for amounts less than \$500. Approximately twenty-one percent of loans made were for amounts in excess of \$1000.

Today the Society make loans upon diamond and gold jewelry, silverware, etc., and maintains five offices throughout the City of New York.

The Society has always been a unique institution, but with the repayment of all of its Certificated of Contribution, its unique character became all the more striking. We now have an institution, a social agency in corporate form financed out of surplus earnings accumulated gradually over more than a century, conducted wholly in the public interest without private funds either invested or contributed and, if the Society is ever dissolved its net assets will be returned to the community by distribution to charities, in accordance with its constitution.

The Provident Loan Society of New York was born in an emergency but was designed and planned for permanent service. This service was – and is – to meet and serve a social need, and that need must vary with circumstances. However much it rises and falls from time to time, that need is the measure of the Society's undertaking.

THE PROVIDENT LOAN SOCIETY OF NEW YORK

Executive Offices

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NEW YORK, NY 10010
Telephone: 212-685-0380

BRANCH LOANING OFFICES

Manhattan

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180 EAST 72ND STREET NEAR THIRD AVENUE

Bronx

2573 DECATUR AVENUE CORNER 193RD STREET
1 BLOCK FROM FORDHAM RD.

Brooklyn

7804 FIFTH AVENUE BAY RIDGE

Queens

136-48 39TH AVENUE NEAR MAIN STREET, FLUSHING

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