

*The PROVIDENT LOAN
SOCIETY of NEW YORK*



126th ANNUAL REPORT - 2020

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TRUSTEES OF THE SOCIETY

Class of 2021

REBECCA LINDSEY TROLAND S. LINK
EDWARD D. PARDOE

Class of 2022

AMES BROWN RICHARD A. DRUCKER
RADFORD W. KLOTZ

Class of 2023

MARK RAMBLER AUSTIN V. SHAPARD
SCOTT TUCKER

OFFICERS OF THE SOCIETY

2020

Chairman of the Board, RICHARD A. DRUCKER
President/CEO, JOHN T. HIGNEY
Assistant Vice President, THEODORE C. FISHER
Secretary, ANTHONY LORE
Treasurer/CFO, KEVIN KING

EXECUTIVE COMMITTEE

TROLAND S. LINK RADFORD W. KLOTZ
RICHARD A. DRUCKER AUSTIN V. SHAPARD

DEPARTMENT DIRECTORS

Director of Auction Sales, MARCOS RAMOS
Director of Auditing and IT, RENAN SUCENA
Director of Human Resources, LARYSA KELLY

STATEMENT OF FINANCIAL POSITION

December 31,

2020

2019

ASSETS

Cash	\$ 3,990,293	\$ 2,234,172
Loans on pledged articles – net (Note 7)	8,495,253	10,679,392
Accrued interest on loans	782,584	1,034,318
Storage fees receivable	78,945	101,750
Ticket fees receivable	33,820	44,724
Prepaid insurance	139,874	117,172
Security deposits (Note 5)	209,198	209,304
Auction Sales Receivables	192,403	-
Rent receivable	226,313	238,609
Deferred charges, sundry assets – net and other assets	188,583	164,996
Property and equipment, net (Note 4)	1,168,993	1,241,310
	\$ 15,506,259	\$ 16,065,747

LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS

Liabilities:

Bank loans payable (Note 12)	\$ 300,000	\$ 800,000
Excess of proceeds from auction sales over loans (Note 6)	623,515	559,342
Security deposit payable (Note 5)	209,198	209,304
Liability for pension plans (Note 8)	198,135	287,353
Liability for postretirement welfare benefits (Note 8)	1,593,943	1,322,147
Sundry accruals and other payables	103,058	194,236
Total Liabilities	3,027,849	3,372,382

Commitments and contingencies (Note 9)

Net assets without donor restrictions:

Undesignated	15,671,187	15,723,885
Board designated for charitable contributions	50,000	
Retirement benefits not yet recognized in operating expenses (Note 8)	(3,242,777)	(3,030,520)
Total net assets without donor restrictions	12,478,410	12,693,365

Total liabilities and net assets without donor restrictions

	\$ 15,506,259	\$ 16,065,747
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See notes to financial statements.

STATEMENT OF ACTIVITIES

Year ended December 31,
2020 2019

Changes in net assets without donor restrictions:		
Operating and other revenue:		
Interest earned on loans	\$ 2,837,956	\$ 3,297,921
Income from air rights (Note 10)	1,285,250	1,285,250
Storage fee income	288,267	329,321
Ticket fee income	123,892	143,373
Rental income	453,401	405,401
Interest earned on money market accounts	28	262
	<hr/>	<hr/>
Total operating and other revenue	4,988,794	5,461,528
	<hr/>	<hr/>
Operating Expenses (Note 13):		
Salaries	2,173,829	1,999,993
Employee health and life insurance benefits	263,399	230,241
Pension and other postretirement benefit plans (Note 8)	275,702	268,344
Interest on bank loans	25,610	81,156
General expenses	853,020	861,351
Legal expenses	10,254	326,684
Advertising	597,150	433,923
Real estate and other taxes	513,231	487,878
Rent and maintenance (Note 9)	156,488	196,290
Auction sale losses and legal claims provision (Note 6 and 7)	30,901	13,921
Depreciation and amortization (Note 4)	99,613	97,457
	<hr/>	<hr/>
Total operating expenses	4,999,197	4,997,238
	<hr/>	<hr/>
Result of operations	(10,403)	464,290
	<hr/>	<hr/>
Nonoperating expenses:		
Change in pension and other postretirement related charges other than net periodic costs (Note 8)	(204,552)	(28,772)
Loss on disposal of fixed assets	-	(287,678)
	<hr/>	<hr/>
Total nonoperating (expenses) revenue	(204,552)	(316,450)
	<hr/>	<hr/>
Change in net assets without donor restrictions	(214,955)	147,840
	<hr/>	<hr/>
Net Assets without donor restriction:		
Beginning	12,693,365	12,545,525
Ending	<u>\$ 12,478,410</u>	<u>\$ 12,693,365</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

	Years ended December 31,	
	2020	2019
Cash flows from operating activities:	\$ (214,955)	\$ 147,840
Change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	99,613	97,457
Loss on disposal of fixed assets	-	287,678
Reserve for loan loss and lease provision	30,901	13,921
Loan disbursements	(2,620,256)	(3,866,869)
Loan receipts	4,820,395	4,576,407
Change in pension and other postretirement related charges other than net periodic cost	(204,552)	(28,772)
Changes in operating assets and liabilities:		
Decrease in storage and ticket fees receivable	33,709	12,381
Decrease in accrued interest on loans	251,734	71,174
Increase in auction sale receivable	(192,403)	-
(Increase) decrease in deferred charges and sundry assets, security deposits and prepaid insurance	(46,183)	46,798
Decrease (increase) in rent receivable	12,296	(87,388)
Increase in excess of proceeds from auction sales over loans	64,173	96,336
Decrease in sundry accruals, security deposit and other payables	(91,284)	(51,195)
Decrease in liability for pension plans	(146,685)	(388,149)
Increase in liability for postretirement welfare benefits	533,815	377,259
Net cash provided by operating activities	<u>2,283,417</u>	<u>1,305,878</u>
Cash flows from investing activities:		
Purchase of property and equipment	(27,296)	(390,508)
Net cash used in investing activities	<u>(27,296)</u>	<u>(390,508)</u>
Cash flows from financing activities:		
Principal payments on capital lease	-	(3,870)
Proceeds from bank loans	-	2,133,809
Principal payments on bank loans	(500,000)	(3,433,809)
Net cash used in financing activities	<u>(500,000)</u>	<u>(1,303,870)</u>
Net change in cash	1,756,121	(388,500)
Cash:		
Beginning	2,234,172	2,622,672
Ending	<u>\$ 3,990,293</u>	<u>\$ 2,234,172</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 28,258</u>	<u>\$ 77,539</u>
Total additional loans granted including renewals	<u>\$ 17,131,825</u>	<u>\$ 20,232,714</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 1890s 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 (U.S. GAAP) 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 – The Society capitalizes all assets with a cost of \$1,000 or more. Fixed assets have been stated at cost less accumulated depreciation and amortization. Depreciation of building 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. Depreciation expense on assets acquired under capital leasehold interest in equipment is included with depreciation expense on owned assets.

Loans on Pledged Articles – All loans are advanced for a term of six 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 fifteen months after a loan is initiated or renewed. Collateral is offered for auction generally within six months of the expiration date of the related loan.

Revenue recognition: The Society recognized storage fee revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers. Storage fees are charged at 2% of the loan balance or a maximum of \$50 for the storage of the collateral related to the loan. Storage fee revenue is recognized over time as the customer simultaneously received and consumes the benefit of the fee. Storage fees are due at loan maturity, which is 180 days from the loan origination.

Interest on loans is recognized over the term of the loan based on the standard interest rates. Additional disclosure on interest on loans is in Note 7. Ticket fees are recognized ratably over the term of the loan. Income from air rights and rental revenue relate to leased property and revenue is recognized on a straight-line basis over the term of the lease.

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and 2019, is \$69,000 and \$85,000, respectively (Note 7).

Fair Value – The Society applies Accounting Standards Codification (ASC) 820-10, Fair Value Measurement, which provides a framework for measuring fair value under U.S. GAAP and applies to all financial instruments that are being measured and reported on a fair value basis.

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

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets such as the New York Stock Exchange.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or that can be derived principally from or corroborated observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For the fiscal year ended December 31, 2020, 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.

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. The Society is no longer subject to income

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

tax examinations by U.S. federal, state or local tax authorities for tax years before 2017, which is the standard statute of limitations look-back period.

Recently issued accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02, making it effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Society is in the process of evaluating the impact of this new guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other provisions, this ASU requires the allowance for credit losses to reflect management’s current estimate of credit losses that are expected to occur over the remaining life of a financial asset. This ASU is effective for fiscal years beginning after December 15, 2022. The Society is in the process of evaluating the impact of this new guidance.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)*. The objective of this ASU is to improve the effectiveness of disclosures in the notes to financial statement by facilitating clear

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

communication of the information required. This ASU is effective for fiscal years beginning after December 31, 2020. The Society is in the process of evaluating the impact of this new guidance.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvement to Topic 326, Financial Instruments – Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. The Society is in the process of evaluating the impact of this new guidance.

Reclassification: Certain amounts in the 2019 financial statements have been reclassified to conform the 2020 financial statement presentation. These reclassifications has no effect on the previously reported changes in net assets.

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 or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was June 17, 2021, for these financial statements.

Note 3. LIQUIDITY DISCLOSURE

As part of the Society's liquidity management, it has a policy to maintain sufficient financial assets for general expenditures, liabilities, and other obligations as they come due. The Society maintains up to \$70,000 in each of its retail location to fund its loans. Cash levels are reviewed on a weekly basis to determine if a deposit or withdrawal of funds is necessary. In order to manage unanticipated liquidity needs, the Society has committed a line of credit in the amount of \$4,500,000, which it could draw upon. The Society experiences influxes of cash three times a year due to its auction sales that occurs every four months. After each sale, financial assets are reviewed to ensure sufficient liquidity to meet current expenditures and obligations.

Note 3. LIQUIDITY DISCLOSURE (continued)

	2020	2019
Total assets, at December 31	\$ 15,506,259	\$ 16,065,747
Less non-financial assets:		
Prepaid Insurance	139,874	117,172
Deferred charges and sundry assets	188,583	164,996
Fixed assets – net	1,168,993	1,241,310
Financial assets, at December 31, 2020	14,008,809	14,542,269
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions:		
Receivables related to pledged articles	8,564,253	10,764,392
Deposits with banks securing line of credit	500,000	500,000
Security deposits securing leases	209,198	209,304
Board designated for charitable contributions	50,000	50,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,685,358	\$ 3,018,573

Note 4. PROPERTY AND EQUIPMENT

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 is \$99,613 and \$97,457, respectively. The Society acquired equipment during 2014, which were classified as capital leases. In 2019, the Society purchased the leased equipment for a total of \$1. Depreciation expense of \$0 and \$3,505 on assets under capital lease and leasehold interest in equipment is included with depreciation expense on owned assets in 2020 and 2019, respectively. The components of property and equipment are as follows:

	2020	2019
Buildings and improvements	\$1,984,588	\$1,984,588
Equipment	747,382	730,480
Leasehold improvements	152,168	152,168
Software development	31,500	31,500
Construction in progress	10,394	-
	2,926,032	2,898,736
Lease accumulated depreciation and amortization	(2,135,014)	\$1,984,588
Building, equipment and leasehold improvements – net	791,018	863,335
Land	377,975	377,975
	\$ 1,168,993	\$ 1,241,310

Note 5. SECURITY DEPOSITS

Air Right Security deposits are invested in money market funds and marketable bonds measured at fair value. At December 31, all such items were recorded at fair value based on quoted market prices in active markets for identical assets (Level 1). Tenant security deposits are held in interest bearing tenant-landlord checking accounts.

	2020	2019
Money market fund	\$ 107,454	\$ 107,614
Deposit account	101,744	101,690
	<u>\$ 209,198</u>	<u>\$ 209,304</u>

Note 6. PROCEEDS FROM AUCTION SALES

The excess of proceeds from auction sales over loans is payable to the borrowers. If unclaimed, proceeds are remitted to New York State under the escheat laws. During the years ended December 31, 2020 and 2019, approximately \$103,599 and \$59,770, respectively, was remitted to New York State.

Note 7. LOANS ON PLEDGED ARTICLES

The Society advances loans with two different maturity periods. The Society's interest rate policy is based on a simple-interest rate. The Society's interest rate policy states loans outstanding up to the day of maturity accrue interest at 26% per annum.

The six month loan product matures in six months or 180 days. After maturity, the loan accrues interest at a penalty rate of 48% per annum until the loan age reaches 455 days. After 455 days, the loan ceases to earn interest, as required by New York State law.

The four month loan product matures in four months or 120 days. After maturity, the loan accrues interest at a penalty rate of 26% per annum until the loan age reaches 455 days. After 455 days, the loan ceases to earn interest, as required by New York State law.

Current loans: For six month loans – outstanding for 180 days (six months) or less earning 26% simple interest per annum. For four month loans – outstanding for 120 days (four months) or less earning 26% simple interest per annum.

Past due loans: For six month loans – outstanding for a period greater than 180 days and less than 456 days earning

Note 7. LOANS ON PLEDGED ARTICLES (continued)

48% simple interest rate per annum; the penalty rate is applied only to those days outstanding beyond the maturity date. For four month loans – outstanding for a period greater than 120 days and less than 456 days earning 26% simple rate per annum; the penalty rate is applied only to those days outstanding beyond the maturity date.

Max loans: Loans outstanding for a period greater than 455 days; these loans do not accrue interest after the 455th day in accordance with New York State law.

An aging analysis as of December 31, is as follows:

	Current	Past Due	Max	Total
2020				
Loans on pledged articles	\$7,094,965	\$1,426,877	\$42,411	\$8,564,253
2019				
Loans on pledged articles	\$8,795,957	\$1,965,549	\$2,886	\$10,764,392

Loans on pledged articles are assessed for credit quality at the point of origination based on the auction value of the items presented. Thereafter, based on the age of the loan, when payment is not received the loan items are scheduled for sale at auction in accordance with a pre-determined sale schedule. Items may be withdrawn from a sale based on the loan break-even amount and customer's request for additional time coupled with a promise to pay.

Note 8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The following table represents the credit risk category of loans on pledged articles as of December 31, based on payment activity:

	2020	2019
Performing	\$ 8,521,842	\$ 10,761,506
Nonperforming	42,411	2,886
	<u>\$8,564,253</u>	<u>\$10,764,392</u>

The following schedule illustrates a summary of the Society's loans on pledged articles as of December 31:

	2020	2019
Loans on pledged articles, gross	\$8,564,253	\$10,764,392
Less allowance for loan losses	<u>(69,000)</u>	<u>(85,000)</u>
Loans on pledged articles, net	<u>\$8,495,253</u>	<u>\$10,679,392</u>

The following schedule illustrates the changes in allowance for loans on pledged articles during the years ended December 31:

	2020	2019
Allowances for loan losses on pledged articles:		
Balance, beginning of the year	\$ 85,000	\$ 98,000
Write-off against allowance	(46,901)	(26,921)
Provision charged to expenses	30,901	13,921
<u>Balance, end of the year</u>	<u>\$ 69,000</u>	<u>\$ 85,000</u>

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 (MetLife). Dividends and credits become part of the pension plan assets as they are earned. Effective December 31, 2003, the Society froze the existing retirement plan and no additional benefits will accrue in that plan.

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

**Note 8. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

	Pension benefits		Postretirement benefits	
	2020	2019	2020	2019
Weighted-average assumptions as of December 31:				
Discount rate	2.35%%	3.14%	2.35%	3.14%
Expected return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

The net pension cost was actuarially determined using an assumed discount rate of 2.35% and 3.14% as of December 31, 2020 and 2019, respectively. The assumed rate of future increases in healthcare is derived from the 2019 SOA Long Term Healthcare Cost Trends model developed by Professor Thomas Getzan. In 2020 and 2019, the assumed rate of future increases in healthcare was 7% and 4.7%

For the year ended December 31, 2020, the mortality table was updated from the RP-2014 Healthy Annuitant Table projected using scale MP-2019. For the year ended December 31, 2019, the mortality table used was from the RP-2014 Healthy Annuitant Table projected using scale MP-2019.

The effect of a one-percentage-point increase and decrease 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, 2020 is as follows:

	Accumulated Postretirement Benefit Obligation	Service and Interest Cost
At trend	\$ 1,593,943	\$ 76,173
At trend + 1 %	1,683,152	81,436
Dollar impact	89,209	5,263
Percentage impact	5.60%	6.91%
At trend - 1 %	1,518,849	71,833
Dollar impact	(75,094)	(4,340)
Percentage impact	-4.71%	-5.70%

**Note 8. 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 54% equity securities, 40% fixed income, 5% for real estate securities, and 1% for other. Investments are invested in commingled separate accounts of MetLife. The underlying investments are primarily invested in equity securities, fixed income securities, and real estate securities. Commingled separate funds are valued at net asset value reporting daily by MetLife.

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

Asset Category	2020 Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$65,483	\$ 65,483	\$ -	\$ -
Commingled Separate Accounts ^(a) :				
Large Cap Core	1,954,542	1,954,542	-	-
TCW Large Cap Value	423,400	423,400	-	-
Broad Market Account	1,246,989	1,246,989	-	-
Small Cap International Equity Fund	677,463	677,463	-	-
Intermediate Duration Alliance Fund	432,862	436,862	-	-
Large Cap Growth	2,406,762	2,406,762	-	-
Mid Cap Index Emerging Markets Fund	597,401	597,401	-	-
	653,896	653,896	-	-
	466,582	466,582	-	-
Total	\$ 8,925,380	\$ 7,207,501	\$ -	\$ -

(a) All commingled separate accounts can be redeemed within one day's notice.

**Note 8. PENSION AND OTHER POSTRETIREMENT
BENEFIT PLANS (continued)**

Asset Category	2019 Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$55,751	\$ 55,751	\$ -	\$ -
Commingled Separate Accounts ^(a) :				
Large Cap Core	1,742,681	1,742,681		-
TCW Large Cap Value	414,460	414,460		
Broad Market Account	1,210,820	1,210,820		-
Small Cap	605,858	605,858		-
International Equity Fund	414,908	414,908		-
Intermediate Duration				
Alliance Fund	2,364,043	2,364,043		-
Large Cap Growth	451,355	451,355		-
Mid Cap Index	611,506	611,506		-
Emerging Markets Fund	426,288	426,288		-
Total	\$ 8,297,670	\$ 8,297,670	\$ -	\$ -

(a) All commingled separate accounts can be redeemed within one day's notice.

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.

Note 8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (continued)

The investment policy is periodically reviewed by the Society. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

The Society plans to contribute \$100,000 to its defined benefit pension plan in 2021.

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

Year ending December 31,	Pension Benefits	Postretirement Benefits
2021	\$ 461,644	\$ 83,985
2022	506,477	65,446
2023	490,144	75,459
2024	534,130	62,675
2025	514,765	68,976
2026-2030	2,368,676	356,971

Effective January 1, 2004, the Society adopted a defined contribution plan covering substantially all its employees. Contributions to the defined contribution plan totaled \$187,533 and \$172,087 in 2020 and 2019, respectively, which are included in the accrued pension benefit obligation.

Note 9. COMMITMENTS AND CONTINGENCIES

Commitment: The Society opened its Bay Ridge office on May 19, 1986. In 2006, the lease on the property was extended, to expire in 2012. In April 2012, the Society signed a new lease that extended this lease to expire on April 30, 2022. Rent expense was \$84,001 for each of the years ended December 31, 2020 and 2019. The future minimum rental payments for the years ending December 31, are as follows:

Year ending December 31,	
2021	\$ 96,000
2022	32,000
Total future minimum payments required	<u>\$ 128,000</u>

**Note 9. COMMITMENTS AND CONTINGENCIES
(continued)**

Contingency: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closure for certain types of public places and businesses. The coronavirus and action taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Society operates. As such, it is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Society. In an effort to boost the economy, the federal government announced multiple stimulus payments and additional unemployment benefits. As a result, customers were flushed with cash and began redeeming their loans. This caused a huge wave of redemptions that ultimately resulted in a decline in the loan balance.

Note 10. INCOME FROM AIR RIGHTS

The Society has agreements leasing its air rights over its Executive Office Building and the Lenox Hill Office. For the years ended December 31, 2020 and 2019, rental income was billed at the annual rate of \$1,285,250. The lease for the Lenox Hill Office resets as a result of reappraisals every 10 years.

The Lenox Hill Office air right payment was reset in 2017. The land value was reappraised to \$14,583,000, equivalent to payments of \$1,215,250 per annum or \$101,270 per month.

The Society entered litigation with the lessee, 190 East 72nd Corp, and completed oral arguments as of January 31, 2018. On July 23, 2018, the Supreme Court of the State of New York came to a decision and judgment in

Note 10. INCOME FROM AIR RIGHTS (continued)

favor of the Society. The court determined the reappraisal of \$14,583,000, as per the terms of the lease, is final and binding. On August 3, 2018, the lessee paid in full the unpaid air rights receivable balance plus an additional 9% interest of approximately \$24,000 on all unpaid balances to date from the lessee.

As of January 25, 2019, 190 East 72nd Corp filed an official appeal. Both parties entered oral arguments on May 22, 2019. On June 18, 2019, The Supreme Court rules in favor of The Society and affirmed the appraisal value of the Lenox Hill Office. 190 East 72nd Corp has since made timely payments for the air rights rental.

Note 11. RENTAL REVENUE

The Society has agreements to lease office space in its Executive Office Building. Future minimum rental income for the years ending December 31 are as follows:

Year ending December 31,	
2021	\$ 476,540
2022	465,302
2023	252,474
2024	257,524
2025	262,274
2026-2028	609,871
Total future rental income	<u><u>\$ 2,323,985</u></u>

Note 12. BANK LOANS PAYABLE

In February 2019, the Society entered into a line of credit for \$4,500,000, with an initial draw of \$2,115,000. In November 2020, the Society renewed its line of credit for \$4,500,000, with an outstanding balance of \$300,000. The line of credit has a covenant requiring the Society to maintain a minimum unrestricted net asset of at least \$10,500,000. Unrestricted net assets are defined as net assets without donor restrictions. The Society agrees to maintain an average compensating balance of \$500,000 pursuant to this line of credit. The interest on the line of credit is the Wall Street Journal Prime Rate plus 0.50%, subject to a 3.75% floor. As of December 31, 2020, there is an outstanding balance of \$300,000 on the line of credit, with a maturity date of November 4, 2021.

Note 13. OPERATING EXPENSES

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

2020			
Expense Classification	Program Service	Management and General Expenses	Total Expenses
Salaries	\$1,440,293	\$733,536	\$2,173,829
Employee health and life insurance benefits	181,520	81,879	263,399
Pension and other postretirement benefit plans	57,520	218,182	275,702
Interest on bank loans	25,610	-	25,610
General expenses	483,476	369,544	853,020
Legal expenses	-	10,254	10,254
Advertising	597,150	-	597,150
Real estate and other taxes	450,621	62,610	513,231
Rent and maintenance	121,774	34,714	156,488
Auction sale losses and legal claims provision	32,743	(1,842)	30,901
Depreciation and amortization	26,852	72,761	99,613
	<u>\$3,417,559</u>	<u>\$1,581,638</u>	<u>\$4,999,197</u>
2019			
Expense Classification	Program Service	Management and General Expenses	Total Expenses
Salaries	\$1,314,213	\$685,780	\$1,999,993
Employee health and life insurance benefits	167,054	63,187	230,241
Pension and other postretirement benefit plans	64,323	204,021	268,344
Interest on bank loans	81,156	-	81,156
General expenses	480,620	380,731	861,351
Legal expenses	-	326,684	326,684
Advertising	433,863	60	433,923
Real estate and other taxes	424,622	63,256	487,878
Rent and maintenance	152,135	44,155	196,290
Auction sale losses and legal claims provision	9,735	4,186	13,921
Depreciation and amortization	25,826	71,631	97,457
	<u>\$3,153,547</u>	<u>\$1,843,691</u>	<u>\$4,997,238</u>

Note 13. OPERATING EXPENSES (continued)

The Society directly allocates expenses to program services & management as they are incurred. The allocations are consistently based on three methods, the office, personnel, or department methods. The most applicable method is applied based on the expense conditions. Such conditions may include but are not limited to: cost calculated by employee count, cost determined by location, cost determined by function, etc.

The following details the three allocation methods:

- 1) Office method – expenses for our local offices are allocated to Program Service, while expenses for executive office are allocated to Management.
- 2) Personnel method – expenses incurred or calculated for employees are allocated based on the office and department they service
- 3) Department method – expenses incurred by certain departments are allocated as follows:

Program Services: Operations, Audit, Appraisal, Auction Sales, Marketing

Management and General: Administration, Human Resources, Building & Maintenance, Training & Development, Finance
*80% of salary and employee benefit expenses are allocated to program services and 20% to management and general. The allocation is based on the time and effort spent on the function. All other expenses are allocated directly based on the function served.

The following are the allocation methods applied by expense classification:

- Salaries, employee health and life insurance benefits, pension and other postretirement benefit plans are allocated based on the personnel method, which is ultimately determined by the office and department the employee is assigned.
- Interest on bank loans is allocated based on the office method as our line of credit is used to fund loans issued by local offices.
- General expenses are allocated using all three methods, where the most appropriate method is applied based on the expense conditions.
- Legal expenses, real estate and other taxes, rent and maintenance and depreciation are allocated based on the department method.
- Advertising, auction sale losses and legal claims provision are allocated based on the department method. Nearly all advertisements are allocated to operations, whereas a limited amount of promotional items is charged to administration.
- Auction sale losses and legal claims provision are allocated based on the department method.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of financial position of The Provident Loan Society of New York (the "Society") as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended and the related notes to the 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; 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.

Auditor's 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 the Society as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US, LLP

New York, New York
June 17, 2021

ANALYSIS OF LOANS MADE

2020

Amounts (inclusive)	Total number of loans	Percentages of totals	
\$1 to \$49	209	1.2% of loans were for less than \$50	1.2%
\$5 to \$124	1,120	7.7% of loans were for less than \$125	6.5%
\$125 to \$199	1,195	14.7% of loans were for less than \$200	7%
\$200 to \$499	4,978	43.7% of loans were for less than \$500	29%
\$500 to \$749	2,789	59.9% of loans were for less than \$750	16.2%
\$750 to \$999	1,663	69.6% of loans were for less than \$1000	9.7%
\$1,000 to \$1,999	3,402	89.4% of loans were for less than \$2,000	19.8%
\$2,000 and Over	1,825		10.6%
Total	17,181		100%

AUCTION SALE ANALYSIS

	2020	2019
Loans sold (number)	652	740
Loans sold (principal)	\$497,652	\$704,893
Accrued interest & fees thereon	\$226,185	\$308,570
Total amount due society	\$723,837	\$1,013,464
Surplus realized for borrowers	\$367,725	\$408,247
Loss sustained by society	\$46,900	\$11,734

STATEMENT OF TRANSACTIONS

	2020	2019
New loans made:		
Number	2,350	3,532
Amount	\$2,559,325	\$3,806,695
Average	\$1,089	\$1,078
Loans made upon increase of principal*:		
Number	220	213
Amount	\$381,034	\$293,253
Loans made upon part payment of principal:		
Number	2,145	1,476
Amount	\$2,350,214	\$1,528,932
Loans made upon payment of interest only:		
Number	12,466	15,293
Amount	\$11,841,252	\$14,603,834
<hr/>		
Total loans made:		
Number	17,181	20,514
Amount	\$17,131,825	\$20,232,714
<hr/>		
Loans paid in full:		
Number	4,208	3,844
Amount	\$3,793,814	\$3,491,264
Loans paid by increase of principal*:		
Number	220	213
Amount	\$320,103	\$233,079
Loans sold:		
Number	652	740
Amount	\$497,652	\$704,893
Loans paid upon part payment of principal**:		
Number	2,145	1,476
Amount	\$2,879,143	\$1,936,103
Loans paid by payment of interest only:		
Number	12,466	15,293
Amount	\$11,841,252	\$14,603,834
<hr/>		
Total loans paid and sold:		
Number	19,691	21,566
Amount	\$19,331,964	\$20,696,173
<hr/>		
*Increases granted	\$60,931	\$60,174
**Part payments received	\$528,929	\$407,171

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 not much available for a corporation 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. Today the Society makes 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.

**RESOLUTION OF APPRECIATION
TO THATCHER M. BROWN, III**

WHEREAS, Thatcher M. Brown, III was elected a Member and Trustee of The Provident Loan Society of New York in 1978; and

WHEREAS, Thatcher M. Brown, III served as a member of the Executive Committee from 1989 to 1992; and

WHEREAS, Thatcher M. Brown, III served as a member of the Audit Committee in 2000; and

WHEREAS, Thatcher M. Brown, III gives so generously of his time, judgment, and wise counsel in advancing the goals of the Society; and

WHEREAS, the Trustees of The Provident Loan Society of New York are deeply appreciative of the faithful service rendered by Thatcher M. Brown, III for the past forty-one years; and

NOW, THEREFORE, BE IT

RESOLVED, that the Board of Trustees of The Provident Loan Society of New York, at its meeting on March 2019, records its grateful appreciation to Thatcher M. Brown, III for his dedicated service to the Society.

THE PROVIDENT LOAN SOCIETY OF NEW YORK

Executive Offices

346 PARK AVENUE SOUTH
NEW YORK, NY 10010
Telephone: 212-685-0380

BRANCH LOANING OFFICES

Manhattan

346 PARK AVENUE SOUTH CORNER EAST 25TH STREET
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

