ORT AMERICA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

ORT AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ORT America, Inc.

We have audited the accompanying financial statements of ORT America, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the local regions and chapters-at-large, which statements reflect total assets of $428,998 at December 31, 2017, and total revenues of $2,998,420 for the year then ended. These financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for local regions and chapters-at-large, is based solely on the reports of the other auditors. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

(Continued)

Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, 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.

Friedman LLP

October 25, 2018

ORT AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS		
Cash and cash equivalents	$	3,473,650
Investments, at fair value		10,321,265
Investments in real estate partnerships, at cost		352,462
Contributions receivable, net		
Anieres Program		7,883,477
Other		12,527,062
Due from WAOF		740,770
Due from World ORT		650,908
Prepaid expenses and other assets		655,729
Beneficial interests in perpetual trusts held by third parties		1,583,014
Property and equipment, net		92,649
	$	38,280,986
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$	1,786,807
Accrued pension payable		2,942,917
Accrued postretirement benefit costs		452,752
Employees' severance payable		209,160
Grants payable - World ORT		
Anieres Program		7,838,971
Other		1,344,575
Grants payable, other		93,050
Deferred rent payable		131,476
Split-interest agreement obligations		1,888,979
		16,688,687
Net assets		
Unrestricted		(1,050,759)
Temporarily restricted		17,446,847
Permanently restricted		5,196,211
		21,592,299
	$	38,280,986

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, public support and other support				
Contributions	$ 7,346,343	$ 598,213	$ 83,617	$ 8,028,173
Grant income	2,461,164	-	-	2,461,164
Membership dues	229,661	-	-	229,661
Legacies	1,935,407	9,850,000	-	11,785,407
Investment gain	499,644	828,004	-	1,327,648
Income from real estate partnerships	254,257	-	-	254,257
Change in value of split-interest agreements	-	(135,606)	-	(135,606)
Special events	343,959	-	-	343,959
Miscellaneous	141,715	-	-	141,715
Net assets released from restrictions	2,061,310	(2,061,310)	-	-
Total revenue, public support and other support	15,273,460	9,079,301	83,617	24,436,378
Expenses				
Program services				
ORT schools and grants	8,629,206	-	-	8,629,206
National activities	4,247,061	-	-	4,247,061
Communications and marketing	479,031	-	-	479,031
Total program services	13,355,298	-	-	13,355,298
Supporting services				
Management and general	1,146,100	-	-	1,146,100
Fund-raising	979,178	-	-	979,178
Total supporting services	2,125,278	-	-	2,125,278
Total expenses before other items	15,480,576	-	-	15,480,576
Change in net assets before other items	(207,116)	9,079,301	83,617	8,955,802
Other items				
Pension and other postretirement-related benefits other than net periodic costs	(306,399)	-	-	(306,399)
Change in net assets	(513,515)	9,079,301	83,617	8,649,403
Net assets				
Beginning of year	(537,244)	8,367,546	5,112,594	12,942,896
End of year	$ (1,050,759)	$ 17,446,847	$ 5,196,211	$ 21,592,299

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	ORT Schools and Grants	National Activities	Communications and Marketing	Total	Management and General	Fund-Raising	Total	Total
Salaries	$ 195,284	$ 1,752,242	$ 171,875	$ 2,119,401	$ 416,336	$ 382,456	$ 798,792	$ 2,918,193
Payroll taxes and employee benefits	65,479	587,527	57,630	710,636	139,598	128,238	267,836	978,472
Total salaries and related expenses	260,763	2,339,769	229,505	2,830,037	555,934	510,694	1,066,628	3,896,665
Custody account expense and filing fees	-	-	-	-	64,969	-	64,969	64,969
Telephone	1,954	31,487	1,845	35,286	4,405	2,948	7,353	42,639
Supplies	634	14,432	599	15,665	3,772	2,251	6,023	21,688
Printing and publications	3,241	45,826	90,565	139,632	2,370	1,586	3,956	143,588
Professional and consulting fees	13,903	183,229	17,850	214,982	30,975	24,917	55,892	270,874
Postage and shipping fees	450	14,474	73,932	88,856	2,631	3,683	6,314	95,170
Occupancy	31,741	463,736	29,974	525,451	71,549	47,876	119,425	644,876
Travel	156,301	49,499	2,494	208,294	5,953	13,422	19,375	227,669
Meetings, conferences and events	82,097	194,875	4,263	281,235	22,227	7,165	29,392	310,627
Computer system and maintenance	8,180	79,739	7,725	95,644	18,440	12,339	30,779	126,423
Local regions and chapters-at-large	-	610,048	-	610,048	-	321,095	321,095	931,143
Insurance	4,212	41,056	3,977	49,245	9,494	6,353	15,847	65,092
Equipment lease expense	3,983	61,205	3,761	68,949	8,979	6,008	14,987	83,936
Legal fees	-	-	-	-	211,821	-	211,821	211,821
Bad debt	-	-	-	-	68,489	-	68,489	68,489
Depreciation	540	5,274	511	6,325	1,220	816	2,036	8,361
Miscellaneous expenses	11,288	112,412	12,030	135,730	25,411	18,025	43,436	179,166
Unrelated business income tax	-	-	-	-	37,461	-	37,461	37,461
Subtotal	579,287	4,247,061	479,031	5,305,379	1,146,100	979,178	2,125,278	7,430,657
Overseas and domestic program grants	8,049,919	-	-	8,049,919	-	-	-	8,049,919
Total expenses	$ 8,629,206	$ 4,247,061	$ 479,031	$ 13,355,298	$ 1,146,100	$ 979,178	$ 2,125,278	$ 15,480,576

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities	
Change in net assets	$ 8,649,403
Adjustments to reconcile change in net assets	
to net cash used in operating activities	
Depreciation	8,361
Net realized and unrealized gain on investments	(1,055,938)
Net realized and unrealized gain on beneficial interests in perpetual	
trusts held by third parties	(130,740)
Change in value of split-interest agreements	135,606
Bad debt expense	68,489
Change in present value of contributions receivable	(68,152)
Pension and other retirement benefits other than net periodic costs	306,399
Changes in assets and liabilities	
Contributions receivable, Anieres Program	272,000
Contributions receivable, other	(8,290,136)
Due from WAOF	168,923
Due from World ORT	133,350
Prepaid expenses and other assets	(332,936)
Beneficial interests in perpetual trusts held by third parties	43,816
Accounts payable and accrued expenses	(1,206,638)
Accrued pension payable	(162,490)
Accrued postretirement benefit costs	2,728
Employees' severance payable	146,383
Grants payable, World ORT, Anieres Program	(1,272,000)
Grants payable, World ORT	372,554
Grants payable, other	93,050
Deferred rent payable	125,303
Net cash used in operating activities	(1,992,665)
Cash flows from investing activities	
Purchases of investments	(1,058,771)
Purchase of property and equipment	(9,000)
Proceeds from sale of property and equipment	39,168
Proceeds from sale of investments	2,590,717
Net cash provided by investing activities	1,562,114
Cash flows from financing activities	
Split-interest agreement obligation payments	87,216
Net decrease in cash and cash equivalents	(343,335)
Cash and cash equivalents, beginning of year	3,816,985
Cash and cash equivalents, end of year	$ 3,473,650

See notes to financial statements.

1 - NATURE OF ORGANIZATION

ORT America, Inc. ("ORT" or the "Organization") was incorporated in New York in 1969. ORT comprises one of the largest nongovernmental education and training organizations in the world, raising funds for a network of ORT schools and programs in the United States and around the world. ORT's worldwide operations help more than 300,000 students and beneficiaries of the programs each year in Israel, Latin America, the former Soviet Union and other countries. In the United States, over 20,000 students and beneficiaries of the programs were served by Bramson ORT College in New York, Chicago ORT Technical College and the Los Angeles ORT Technical College. Bramson ORT College and Chicago ORT Technical College have ceased operations. Since its founding in 1880, ORT's programs have been providing individuals with the ability to help themselves by launching successful careers in science, technology and other disciplines.

ORT is funded primarily by contributions from the general public.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation
The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Organization's net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions into the following three categories:

Unrestricted*:* Unrestricted net assets are not subject to donor-imposed stipulation.

Temporarily Restricted: Net assets subject to donor-imposed stipulation that may or will be met, either by action of the Organization and/or the passage of time.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same fiscal year are included as unrestricted revenues.

Permanently Restricted: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donor of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At times, these balances may exceed federally insured limits and this potentially subjects the Organization to a concentration of credit risk. For financial reporting purposes, ORT considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash that is managed as part of ORT’s long-term investment strategy.

Investments and Investment Income
Investments are stated at fair value. ORT invests in various investment securities, which are exposed to various risks such as interest rate, market and credit risks.

Investment in Real Estate Partnerships
The Organization has an interest in five real estate partnerships, which is recognized on the cost basis of accounting.

Contributions and Contributions Receivable
Contributions are recognized when a donor makes a promise to give to the Organization and that promise is in substance unconditional. Conditional promises to give are recognized as contributions when substantially all conditions are met. Contributions received are measured at their fair value and reported as an increase in net assets at net realizable value. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Amortization of the discount is included in contributions revenue.

The Organization provides for losses on contributions receivable using the allowance method, which is based on experience, collection history, and other circumstances that may affect the donor’s ability to meet its obligations. It is the policy of the Organization to charge off uncollectible contributions receivable when management determines that the receivable will not be collected.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Contributions Receivable (Continued)
Legacies are recorded as revenue at the time that an unassailable right to the gift has been established by the probate court and the proceeds are measurable in amount. The related legacies receivable are included in the statement of financial position as part of contributions receivable, net.

Grant income is recorded as revenue when received.

Property and Equipment
Property and equipment are stated at cost at the dates of acquisition or their fair values at the dates of donation. Improvements are capitalized while repair and maintenance costs are expensed when incurred. Furniture and equipment are depreciated on the straight-line method over their estimated economic useful lives of five years, while leasehold improvements are amortized over the shorter of the terms of the respective leases or the asset life.

Risks and Uncertainties
ORT's investments are concentrated in marketable securities including equities, money funds and corporate and government debt as well as mutual funds that invest in various types of debt and equity securities. Such investments are subject to various risks including liquidity, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the financial statements.

Fair Value Measurements
GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under GAAP, the three levels of the fair value hierarchy are described as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of providing ORT's programs and supporting services have been summarized on a functional basis. Some costs are directly charged to each service area as they are clearly identified as program services or supporting services. Indirect costs are allocated to the different programs and supporting service areas benefited, as determined by management.

Program services are categorized as follows:

a. ORT schools and grants - these are remittances and expenses related to the different international and domestic schools and projects;

b. National activities - these are the events and programs that generate awareness and funds to support the mission of the Organization other than ORT schools and grants;

c. Communications and marketing - this department works simultaneously with national activities and events. It takes care of all publications, promotions and strategies in delivering and making known ORT's mission, programs and activities.

Supporting services are categorized as follows:

a. Management and general - these expenses relate to oversight, management and administration.

b. Fundraising - these expenses relate to business development, and maintenance and engagement of donors of major gifts, planned giving and community campaigns.

Income Taxes
ORT is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is classified as a publicly supported organization as described in Section 509(a).

Subsequent Events
These financial statements were approved by management and available for issuance on October 25, 2018.

3 - CONTRIBUTIONS RECEIVABLE, ANIERES PROGRAM

The Organization facilitated a donation agreement between a donor and World ORT (ORT's worldwide operations) whereby the donor will make a contribution of $1,472,000 to World ORT's Anieres Program (the "Program") each calendar year from 2013 through and including 2021. An additional $736,000 will be contributed by the donor during the life of the Program or in the last contribution payment for the Program but in all events before December 31, 2022, given all the conditions as defined in the agreement will be met during the life of the Program. Management has determined that the likelihood of World ORT not meeting the conditions in the agreement is remote and therefore the contribution shall be considered an unconditional promise to give. Based on the donor's ability to pay and the Organization's past experience with the donor, management has determined that no allowance is needed for the receivable.

Amounts due in	
Less than one year	$ 2,971,135
One to five years	5,152,000
	8,123,135
Discount on multi-year contributions receivable	(239,658)
Contributions receivable, Anieres Program, net	$ 7,883,477

4 - CONTRIBUTIONS RECEIVABLE, OTHER

ORT received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 2.3% to 5%. Outstanding contributions receivable were as follows as of December 31, 2017:

Amounts due in	
Less than one year	$ 10,859,055
One to five years	1,716,549
	12,575,604
Allowance for uncollectible contributions	(22,200)
Discount on multi-year contributions receivable	(26,342)
Contributions receivable, other, net	$ 12,527,062

5 - INVESTMENTS (INCLUDING BENEFICIAL INTERESTS IN PERPETUAL TRUSTS HELD BY THIRD PARTIES)

Investments (including beneficial interests in perpetual trusts held by third parties) consist of the following as of December 31, 2017:

Money market funds	$ 323,180
Marketable equity securities	1,600,636
Mutual funds	2,415,948
Bonds	959,644
Pooled investment funds	6,500,461
State of Israel bonds	97,500
Investment in life insurance contracts	6,910
Total investments, at fair value	$ 11,904,279

Investment income consists of the following for the year ended December 31, 2017:

Interest, dividends and changes in annuity values	$ 180,778
Realized gain	805,762
Unrealized gain	235,123
Unrealized foreign currency translation gain	125,082
Realized foreign currency translation gain	20,710
Insurance royalties	6,684
Management fees	(46,491)
	$ 1,327,648

The Organization is the named income beneficiary in multiple perpetual trusts, the corpus of which is not controlled by management of the Organization. Under these arrangements, the Organization has the irrevocable right to receive all or a portion of the income received on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and related assets are recognized at fair value in the period in which the Organization receives notice that the trust agreements convey an unconditional right to receive benefits. Income from the perpetual trusts is unrestricted.

6 - FAIR VALUE MEASUREMENT

The following table sets forth, by level, ORT's investments at fair value, within the fair value hierarchy, as of December 31, 2017:

		2017 Fair Value Measurement Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 323,180	$ 323,180	$ -	$ -
Bonds				
Corporate	472,079	-	472,079	-
Government agency	487,565	-	487,565	-
	959,644	-	959,644	-
Marketable equity securities				
Exchange-traded funds	915,465	915,465	-	-
Common stock	571,206	571,206	-	-
International equities	113,965	113,965	-	-
	1,600,636	1,600,636	-	-
Mutual funds				
International equities	214,632	214,632	-	-
Domestic large blend	90,076	90,076	-	-
Fixed income	2,074,785	2,074,785	-	-
Hedge funds	36,455	36,455	-	-
	2,415,948	2,415,948	-	-
Pooled investment funds	6,500,461	-	5,700,894	799,567
State of Israel bonds	97,500	-	97,500	-
Investment in life insurance contract	6,910	-	-	6,910
Total investments at fair value	$ 11,904,279	$ 4,339,764	$ 6,758,038	$ 806,477

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by the Organization to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

6 - FAIR VALUE MEASUREMENT (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2017:

Marketable equity securities and money market funds listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation, and are classified as Level 1 in the fair value hierarchy.

The fair value of bonds is based on the last reported bid price provided by broker-dealers, and is classified as Level 2 in the fair value hierarchy.

The fair value of mutual funds is based on the last quoted evaluation or bid price, and is classified as Level 1 in the fair value hierarchy.

The fair value of the life insurance contract is based on anticipated cash inflow and other significant unobservable inputs, and is classified as Level 3 in the fair value hierarchy.

Investments in pooled investment funds are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as reported to the Organization by the fund. In determining the fair value, the Organization utilizes, as a practical expedient, the net asset value provided by the fund manager (NAV of funds). The majority of investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the fund manager and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the value that would have been used had a ready market existed for these investments. The fair value of the Organization's investment pool generally represents the amount that the Organization would expect to receive if it were to liquidate its investment in the investment pool, excluding any redemption charges that may apply.

The Organization categorized its investments in investment pools in the United Jewish Endowment Fund as a Level 2 fair value measurement because there may be a variety of circumstances in which the United Jewish Endowment Fund, in its discretion, may delay the remittance of funds to the Organization after a withdrawal written notice is received from the Organization. There is a possibility that the Organization would not be able to redeem its investments within 90 days from the date of redemption request.

6 - FAIR VALUE MEASUREMENT (Continued)

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the year ended December 31, 2017:

	Investment in Life Insurance Contract	Pooled Investment Funds
Balance, beginning of year	$ 6,876	$ 7,080,437
Reclassification	-	(6,296,828)
Interest and dividends	34	-
Net realized gain	-	27,134
Net unrealized gain	-	10,511
Investment fees	-	(1,288)
Withdrawal of investments	-	(20,399)
Balance, end of year	$ 6,910	$ 799,567

Management examines all available information regarding the fair value of the individual assets in determining the appropriate level classification of the assets.

7 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 consist of the following:

Leasehold improvements	$ 47,748
Furniture and equipment	111,414
Property and equipment of branches, net	66,436
	225,598
Less - Accumulated depreciation	(132,949)
	$ 92,649

Depreciation expense of $8,361 is presented in the statement of functional expenses.

8 - LEASE COMMITMENTS

ORT has a lease agreement to rent office space located at 75 Maiden Lane, New York, New York, which expires on April 30, 2027. In addition, several of the regional and chapter offices are subject to operating leases.

Scheduled future minimum lease obligations under noncancelable operating leases are as follows:

Year Ending December 31,	New York Offices	Other Offices	Total
2018	$ 370,800	$ 157,790	$ 528,590
2019	380,534	152,592	533,126
2020	390,952	147,410	538,362
2021	401,703	117,699	519,402
2022	412,750	77,608	490,358
Thereafter	1,924,537	-	1,924,537
	$ 3,881,276	$ 653,099	$ 4,534,375

Occupancy expense was $644,876 for the year ended December 31, 2017.

Rent expense is recognized on a straight-line basis over the term of the lease. The difference between rental payments made under these leases and rent expense calculated on a straight-line basis is recorded as deferred rent payable and is reflected in the accompanying statement of financial position.

The Organization leases office equipment for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2023 and provide for renewal. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Average monthly lease payments in the aggregate were $5,901 during the year ended December 31, 2017.

8 - LEASE COMMITMENTS (Continued)

The future minimum rental payment required under the operating lease agreement for office equipment is $257,350 as of December 31, 2017, to be paid through 2023.

Equipment lease expense (included in the statement of functional expenses) was $83,936 for the year ended December 31, 2017.

9 - ACCRUED PENSION PAYABLE

ORT administers three pension plans:

A. Defined Benefit Pension Plan - Women's American ORT, Inc.: ORT has a frozen defined benefit pension plan covering the former employees of Women's American ORT, Inc. ("WAO"), an entity that merged with ORT in 2007. The plan was frozen as a result of the cessation of benefit accruals effective December 31, 2002. The amortization of prior service costs was eliminated as a result of the partial termination.

B. Employee Pension Plan - American ORT, Inc. and Affiliated Organizations: The former employees of American ORT, Inc. ("AOI") and its affiliates are covered by the Employees Pension Plan of American ORT, Inc. and Affiliated Organizations. The plan was frozen as a result of the cessation of benefit accruals effective August 31, 2006.

C. Defined Contribution Pension Plan: ORT established a defined contribution pension plan covering substantially all of its employees. Pension expense under this plan was $79,828 for the year ended December 31, 2017.

9 - ACCRUED PENSION PAYABLE (Continued)

The following table summarizes the benefit obligation, fair value of assets and the funded status for the year ended December 31, 2017:

	WAO	AOI
Benefit obligation	$ (6,188,287)	$ (9,482,872)
Fair value of plan assets	5,122,716	7,605,526
Funded status at end of year	$ (1,065,571)	$ (1,877,346)
Amounts recognized as liabilities in the statement of financial position	$ (1,065,571)	$ (1,877,346)
Amounts recognized as cumulative changes in pension other than net periodic costs		
Net loss	$ (3,018,043)	$ (5,633,929)
Cumulative employer contributions in excess of net periodic benefit cost	1,952,472	3,756,583
Net amount recognized	$ (1,065,571)	$ (1,877,346)
Components of net periodic benefit costs		
Interest cost	$ 213,195	$ 322,907
Expected return on assets	(349,259)	(506,522)
Amortization of net loss	144,425	243,296
Net periodic benefit cost	$ 8,361	$ 59,681

Changes in pension costs other than net periodic costs at December 31, 2017:

Net loss (gain)	$ 236,313	$ 468,867
Amortization of net loss	(144,425)	(243,296)
Net other than periodic benefits	$ 91,888	$ 225,571
Accumulated benefit obligation	$ 6,188,287	$ 9,482,872
Employer contributions	-	241,592
Benefits paid	452,217	605,631

Weighted average assumptions to determine benefit obligations at December 31, 2017:

	WAO	AOI
Discount rate	3.42%	3.42%
Rate of compensation increase	N/A	N/A

9 - ACCRUED PENSION PAYABLE (Continued)

Weighted average assumptions to determine net periodic cost at December 31, 2017:

	WAO	AOI
Discount rate	3.75%	3.75%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	N/A	N/A

Benefit payments, which reflect the expected future service, as appropriate, are expected to be paid as follows:

Year Ending December 31,	WAO	AOI
2018	$ 508,968	$ 734,944
2019	496,922	722,041
2020	479,879	703,220
2021	464,969	679,301
2022	457,938	657,424
2023 - 2027	2,066,773	3,018,530

WAO expects to contribute $31,000 and AOI expects to contribute $189,000 in 2018.

9 - ACCRUED PENSION PAYABLE (Continued)

The fair value of the plans' investments at December 31, 2017 (all of which are Level 1 - see Note 2), by asset category, are as follows:

	Fair Value Using Quoted Prices in Active Markets for Identical Assets (All Level 1)			
	WAO		AOI	
	2017	% 2017	2017	% 2017
Cash equivalents	$ 45,715	0.9%	$ 63,662	0.8%
Mutual funds				
Small cap	163,738	3.2	243,340	3.2
Mid cap	289,471	5.7	426,448	5.6
Large value	1,852,160	36.1	2,665,611	35.1
International	1,053,089	20.6	1,622,052	21.3
Fixed income	1,265,744	24.7	1,923,191	25.3
Emerging markets	92,117	1.8	139,664	1.8
Real estate	360,682	7.0	521,558	6.9
	5,077,001	99.1	7,541,864	99.2
	$ 5,122,716	100.0%	$ 7,605,526	100.0%

The plans' investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, plan managers, with advice from the Pension Committee of the Board of Directors, formulate an investment portfolio composed of a combination of equity and debt securities.

10 - POSTRETIREMENT BENEFIT COSTS

ORT has accrued for postretirement benefit costs of former AOI employees. Former AOI employees have a contributory postretirement medical and life insurance benefit plan which covers specified nonunion employees, and their spouses and dependents, who retire after the attainment of age 60 with 15 or more years of service.

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

The following table sets forth the plan's combined unfunded status and amounts recognized in the statement of financial position as of December 31, 2017:

Benefit obligation	$	(452,752)
Fair value of plan assets		-
Funded status at end of year	$	(452,752)
Amount recognized as liability in the statement of financial position	$	(452,752)
Components of net periodic benefit cost		
Interest cost	$	15,187
Amortization of transition obligation		24,205
Amortization of actuarial loss		-
Net periodic benefit cost	$	39,392
Changes in pension costs other than net periodic costs		
Actuarial loss	$	13,145
Amortization of transition obligation		(24,205)
Amortization of actuarial loss		-
Net other than periodic benefit	$	(11,060)
Employer contributions	$	25,604
Plan participants' contributions		1,200
Benefits paid		(26,804)

Weighted-average assumptions to determine benefit obligations at December 31, 2017:

Discount rate	3.34%

Weighted-average assumptions to determine net periodic benefit cost for the year ended December 31, 2017:

Discount rate	3.52%

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

Benefit payments, which reflect the expected future service, as appropriate, are expected to be paid as follows:

Year Ending December 31,	
2018	$ 42,607
2019	43,988
2020	41,028
2021	38,397
2022	36,013
2023 - 2027	149,646

ORT expects to contribute $42,607 to the plan in 2018.

The assumed health care trend rate at December 31, 2017 is as follows:

Health care cost trend rate assumed for next year	7.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%
Year that the rate reaches the ultimate trend rate	2075

Assumed health care cost trend rates have significant effect on the amounts reported for the health care plans. A one-percentage-point change in the health care cost trend rate would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 64	$ (60)
Effect on postretirement benefit obligation	1,499	(1,423)

11 - EMPLOYEES' SEVERANCE PAYABLE

ORT has accrued the present value of severance pay for former AOI employees, which provides for a maximum of 24 months for nonunion employees based upon the current year's salary. On March 31, 2004, AOI froze severance benefits for employees. The severance liability as of December 31, 2017 was $209,160.

12 - SPLIT-INTEREST AGREEMENTS OBLIGATIONS

The Organization has numerous split-interest agreements that include charitable remainder trusts and gift annuities where the Organization serves as trustee for the benefit of the individual beneficiaries. Under these agreements, the Organization controls the donated assets and distributes to the donor or the donor's designee the income generated from those assets or set payments as stated in the agreements.

At the time of the gift, and adjusted annually, the Organization records contribution revenue and a liability for amounts payable to beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities. The discount rates used in the calculation range from 1.4% to 9.6%.

The financial statements include various split-interest agreements as of December 31, 2017, as follows:

Statement of activities	
Contributions	$ 121,470
Change in value of split-interest agreements	(135,606)
Statement of financial position	
Investments	2,913,116
Liabilities under split-interest agreements	1,888,979

Management has stated that the asset balance at December 31, 2017 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Organization issues gift annuities. Reserves are included in liabilities under split-interest agreement obligations on the accompanying statement of financial position.

13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 are available for educational assistance and scholarships.

During the year ended December 31, 2017, temporarily restricted net assets were released from restrictions by satisfying the restricted purposes for education.

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support general operations or educational programs (donor designated).

14 - LOCAL REGIONS AND CHAPTERS-AT-LARGE

Assets and liabilities of local regions and chapters-at-large are presented in the statement of financial position as of December 31, 2017 in the following classifications:

Assets		
Cash and cash equivalents	$	408,399
Property and equipment, net		66,436
Prepaid expenses and other assets		272,284
	$	747,119
Liabilities		
Accounts payable and accrued expenses	$	399,726

Not included in the above accounts payable and accrued expenses are the payroll reimbursements payable by the local regions and chapters-at-large to the national office of $37,666, which was eliminated against the receivables reported by the national office as of December 31, 2017.

Local regions and chapters-at-large expenses are reported on the statement of functional expenses, and consist of the following for the year ended December 31, 2017:

Salaries and related benefits	$	506,863
Occupancy		135,668
Office expense		190,319
Other		98,293
	$	931,143

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS

The Endowment: The Organization's endowment consists of approximately 20 individual special-purpose funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: NYPMIFA became law in September 2010. The Board of Directors will continue to adhere to NYPMIFA's requirement relating to the Organization's seeking to maintain the purchasing power of the endowment.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment and board-designated assets that attempt to provide a relatively predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term, real purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a balanced return of current income and modest growth of principal, consistent with preservation of the purchasing power of the funds after satisfying any liquidity needs and expenses.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments specific to each investment pool to achieve its long-term return objectives within prudent risk constraints. Returns are compared to a blended benchmark for the overall portfolio and category-specific benchmarks corresponding to investment strategies used.

Spending Policy and How Investment Objectives Relate to Spending Policy: Expenditures from the board-designated net assets are released as approved by the Organization's Board of Directors. The earnings on the permanently restricted net assets are expendable to support general operations or educational programs (donor designated), as described in Note 13.

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS (Continued)

The Organization's endowment net assets had the following activity for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	$ 684,128	$ 4,780,065	$ 5,112,594	$ 10,576,787
Investment return				
Investment income	6,553	48,497	-	55,050
Investment fee	(2,922)	(21,623)	-	(24,545)
Net change in asset value (realized and unrealized)	77,432	573,056	-	650,488
Total investment return	81,063	599,930	-	680,993
Contributions	47,197	33,000	83,617	163,814
Appropriation of endowment assets for expenditure	(267,149)	(1,102,686)	-	(1,369,835)
Changes in net assets	(138,889)	(469.756)	83,617	(525,028)
Endowment net assets, December 31, 2017	$ 545,239	$ 4,310,309	$ 5,196,211	$ 10,051,759

16 - GRANTS PAYABLE, WORLD ORT

As of December 31, 2017, the Organization has received $1,344,575 in contributions that are restricted to World ORT. Amounts received that are restricted to World ORT are deemed a commitment and paid to World ORT.

In addition, an amount of $7,838,971 (stated at net present value) to be received from a donor for the Anieres Program will be transferred to World ORT when collected.

17 - CONTRIBUTIONS RECEIVABLE - OTHER

In 2017, the Organization received notification as beneficiary in a trust established by a donor whereby, upon the donor's death, which occurred in 2017, the Organization would receive property in Los Angeles for the sole use and benefit of the Los Angeles ORT Technical College. The fair value of the property, as determined by an independent appraiser, was determined to be $9,850,000 at the time of the gift, and is included within legacies in the statement of activities and in contributions receivable - other in the statement of financial position as title to the property has not been transferred as of December 31, 2017. Management of the Organization plans to sell the property and collect all proceeds from the sale. The amount to be realized upon sale of the property may differ from the estimated fair value of the property recorded in 2017.

18 - RELATED PARTY TRANSACTIONS

On October 10, 2011, ORT and Women's American ORT Foundation ("WAOF") entered into an exclusive license agreement as part of the trademark assignment and option agreement entered into by both parties on the same day. WAOF granted ORT the rights to continue to use the "ORT" trademark in its daily activities in exchange for a license fee. ORT is to pay WAOF a three percent royalty fee based on all gross donations received by ORT in the United States of America, with the annual royalty fee not to exceed $170,000 and not to be less than $84,000. The term of the license agreement is for ninety-nine years, unless terminated earlier by either party as stipulated in the agreement. ORT recognized $170,000 of royalty fees in the year ended December 31, 2017, which is included in miscellaneous expenses on the statement of functional expenses.

ORT charges WAOF for its share in certain audit and accounting services. For the year ended December 31, 2017, WAOF's allocated share is $33,138.

ORT received $167,933 in contributions from WAOF for the year ended December 31, 2017.

ORT is due $650,908 from World ORT in relation to settlement reimbursements and other amounts as of December 31, 2017.

On April 4, 2017, the Organization and ORT Israel ("OI") signed a settlement agreement and mutual release resolving all issues raised by, or related to the litigation between parties. It was stipulated that the Organization shall pay OI $2,495,095 plus interest at an annual rate of 4% from January 1, 2017 to March 31, 2017, or approximately $2,520,046. As of December 31, 2017, $828,085 is still due and is reflected in the accompanying statement of financial position as part of the accounts payable and accrued expenses balance.