

# **ORT America, Inc.**

**Financial Statements**  
**Year Ended December 31, 2019**

**ORT America, Inc.**

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Financial Statements  
Year Ended December 31, 2019

# ORT America, Inc.

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## **Independent Auditor's Report**

The Board of Directors  
ORT America, Inc.  
New York, New York

We have audited the accompanying financial statements of ORT America, Inc. (ORT), which comprise the statement of financial position as of December 31, 2019, 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 region and chapters-at-large, which statements reflect total assets of \$314,002 at December 31, 2019, and total revenues of \$1,259,810 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 relates to the amounts included for local region 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 ORT'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 ORT'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 ORT as of December 31, 2019 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.

BDO USA, LLP

January 19, 2021

**ORT America, Inc.**  
**Statement of Financial Position**

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*December 31, 2019*

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**Assets**

Cash and cash equivalents (Note 2)	\$ 2,535,954
Investments, at fair value (Notes 2 and 5)	10,686,982
Pledges and grant receivable, net (Notes 2 and 4)	13,415,154
Prepaid expenses and other assets	307,314

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**Total Current Assets** 26,945,404

Pledges and grant receivable, net, less current portion (Note 2 and 4)	3,488,438
Investments in real estate partnerships, at cost (Note 2)	352,462
Beneficial interests in perpetual trusts held by third parties (Notes 2 and 5)	1,553,044
Due from affiliates (Note 16)	823,575
Property and equipment, net (Note 2)	19,193

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**Total Assets** \$ 33,182,116

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**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 564,649
Employees' severance payable (Note 11)	111,694
Accrued postretirement benefit costs, current portion (Note 10)	51,578
Accrued pension payable, current portion (Note 9)	1,210,000
Grants payable - World ORT, current portion (Note 15)	4,091,182
Deferred revenue	622,009

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**Total Current Liabilities** 6,651,112

Grants payable - World ORT, less current portion (Note 16)	1,923,836
Deferred rent payable (Note 8)	187,978
Accrued postretirement benefit costs, less current portion (Note 10)	368,999
Accrued pension payable, less current portion (Note 9)	1,274,614
Split-interest agreement obligations (Note 12)	1,632,040

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**Total Liabilities** 12,038,579

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**Commitments and Contingencies** (Notes 2, 3, 8, 9, 10, 12, 13 and 14)

**Net Assets (Deficit)** (Notes 2, 13 and 14)

Without donor restrictions	(1,629,532)
With donor restrictions	22,773,069

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**Total Net Assets** 21,143,537

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**Total Liabilities and Net Assets** \$ 33,182,116

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*See accompanying notes to financial statements.*

**ORT America, Inc.**  
**Statement of Activities**

*Year ended December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Public Support and Other Support</b>			
Contributions (Note 2)	\$ 5,697,988	\$ 1,337,938	\$ 7,035,926
Grant income (Note 2)	2,019,635	-	2,019,635
Membership dues (Note 2)	182,549	-	182,549
Legacies (Note 2)	2,878,151	-	2,878,151
Net investment income (Note 5)	669,966	966,317	1,636,283
Income from real estate partnerships (Note 2)	197,807	-	197,807
Change in value of split-interest agreements (Note 12)	-	(2,663)	(2,663)
Special events (Note 2)	1,250,063	-	1,250,063
Miscellaneous	52,704	-	52,704
Net assets released from restrictions (Notes 2 and 13)	1,718,142	(1,718,142)	-
<b>Total Revenue, Public Support and Other Support</b>	<b>14,667,005</b>	<b>583,450</b>	<b>15,250,455</b>
<b>Expenses</b>			
Program services:			
ORT schools and grants	6,725,615	-	6,725,615
National activities	4,312,846	-	4,312,846
Communications and marketing	704,011	-	704,011
<b>Total Program Services</b>	<b>11,742,472</b>	<b>-</b>	<b>11,742,472</b>
Supporting services:			
Management and general	1,056,957	-	1,056,957
Fundraising	693,216	-	693,216
<b>Total Supporting Services</b>	<b>1,750,173</b>	<b>-</b>	<b>1,750,173</b>
<b>Total Expenses, before other items</b>	<b>13,492,645</b>	<b>-</b>	<b>13,492,645</b>
<b>Change in Net Assets, before loss on property valuation and pension and other postretirement related costs other than net periodic costs</b>	<b>1,174,360</b>	<b>583,450</b>	<b>1,757,810</b>
<b>Loss, on property valuation</b>	<b>(1,488,222)</b>		<b>(1,488,222)</b>
<b>Pension and Other Postretirement-Related Costs, other than net periodic costs</b>	<b>907,418</b>	<b>-</b>	<b>907,418</b>
<b>Change in Net Assets</b>	<b>593,556</b>	<b>583,450</b>	<b>1,177,006</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>(2,223,088)</b>	<b>22,189,619</b>	<b>19,966,531</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ (1,629,532)</b>	<b>\$ 22,773,069</b>	<b>\$ 21,143,537</b>

*See accompanying notes to financial statements.*

**ORT America, Inc.**  
**Statement of Functional Expenses**

Year ended December 31, 2019

	Program Services				Supporting Services			
	ORT Schools and Grants	National Activities	Communications and Marketing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 166,591	\$ 2,079,258	\$ 302,386	\$ 2,548,235	\$ 399,826	\$ 273,858	\$ 673,684	\$ 3,221,919
Payroll taxes and employee benefits	34,286	427,918	62,231	524,435	82,285	56,361	138,646	663,081
<b>Total Salaries and Related Expenses</b>	<b>200,877</b>	<b>2,507,176</b>	<b>364,617</b>	<b>3,072,670</b>	<b>482,111</b>	<b>330,219</b>	<b>812,330</b>	<b>3,885,000</b>
Custody account expense and filing fees	-	1,049	-	1,049	39,354	-	39,354	40,403
Telephone	672	28,011	954	29,637	1,991	1,179	3,170	32,807
Supplies	365	21,245	8,069	29,679	3,289	1,083	4,372	34,051
Printing and publications	82	47,104	137,804	184,990	91,415	6,973	98,388	283,378
Professional and consulting fees	7,885	253,175	77,700	338,760	38,566	13,834	52,400	391,160
Postage and shipping fees	93	14,308	53,216	67,617	3,142	1,732	4,874	72,491
Occupancy	21,171	488,389	30,073	539,633	62,724	37,145	99,869	639,502
Travel	412	26,847	2,423	29,682	2,210	1,727	3,937	33,619
Meetings, conferences and events	1,292	183,509	3,100	187,901	9,706	8,115	17,821	205,722
Computer system and maintenance	6,821	112,817	9,690	129,328	20,210	11,968	32,178	161,506
Local regions and chapters-at-large	-	406,017	-	406,017	-	258,316	258,316	664,333
Insurance	2,165	35,805	3,075	41,045	6,414	3,798	10,212	51,257
Equipment lease expense	1,859	47,739	2,640	52,238	6,507	4,013	10,520	62,758
Legal fees	-	-	-	-	257,428	-	257,428	257,428
Depreciation and amortization	295	4,885	420	5,600	875	518	1,393	6,993
Miscellaneous expenses	7,181	134,770	10,230	152,181	18,420	12,596	31,016	183,197
Unrelated business income tax	-	-	-	-	12,595	-	12,595	12,595
<b>Subtotal</b>	<b>251,170</b>	<b>4,312,846</b>	<b>704,011</b>	<b>5,268,027</b>	<b>1,056,957</b>	<b>693,216</b>	<b>1,750,173</b>	<b>7,018,200</b>
Overseas and domestic program grants	6,474,445	-	-	6,474,445	-	-	-	6,474,445
<b>Total Expenses</b>	<b>\$ 6,725,615</b>	<b>\$ 4,312,846</b>	<b>\$ 704,011</b>	<b>\$ 11,742,472</b>	<b>\$ 1,056,957</b>	<b>\$ 693,216</b>	<b>\$ 1,750,173</b>	<b>\$ 13,492,645</b>

See accompanying notes to financial statements.



**ORT America, Inc.**  
**Statement of Cash Flows**

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*Year ended December 31, 2019*

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<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 1,177,006
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	6,993
Net realized gain on investments	(283,568)
Net unrealized gain on investments	(1,087,387)
Net realized and unrealized gain on beneficial interests in perpetual trusts held by third parties	(200,546)
Change in value of split-interest agreements	(50,887)
Change in present value of contributions receivable	(16,400)
Pension and other retirement benefits other than net periodic costs	(907,418)
Increase (decrease) in assets:	
Pledges and grant receivables	1,224,915
Due from affiliates	130,594
Prepaid expenses and other assets	(11,529)
Beneficial interests in perpetual trusts held by third parties	(148,973)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(150,091)
Accrued pension payable	(331,224)
Accrued postretirement benefit costs	26,621
Employees' severance payable	(18,842)
Grants payable, World ORT	(1,517,004)
Deferred revenue	38,419
Deferred rent payable	20,234
<b>Net Cash Used in Operating Activities</b>	<b>(2,099,087)</b>
<b>Cash Flows from Investing Activities</b>	
Purchases of investments	(1,534,882)
Purchase of property and equipment	(824)
Proceeds from sale of investments	2,340,375
<b>Net Cash Provided by Investing Activities</b>	<b>804,669</b>
<b>Cash Flows from Financing Activities</b>	
Split-interest agreement obligation payments	3,184
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,291,234)</b>
<b>Cash, Cash Equivalents and Restricted Cash Equivalents, beginning of year</b>	<b>3,827,188</b>
<b>Cash, Cash Equivalents and Restricted Cash Equivalents, end of year</b>	<b>\$ 2,535,954</b>

*See accompanying notes to financial statements.*

# ORT America, Inc.

## Notes to Financial Statements

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### 1. Nature of Organization

ORT America, Inc. (ORT) 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. 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*

The financial statements of ORT have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Basis of Statement Presentation*

ORT's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. The amounts are classified in either of the two classes of net assets defined below and displayed in the statement of financial position, and the amounts of change in each of those classes of net assets are displayed in the statement of activities.

*Without Donor Restrictions* - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of ORT. Revenues are reported as increases in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donors or by law. Expenses are reported as decreases in net assets without donor restrictions.

*With Donor Restrictions* - This class consists of net assets with donor restrictions whose use is limited by donor-imposed, time and/or purpose restrictions. ORT reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are subject to donor-imposed stipulations that must be maintained permanently by ORT. Generally, the donor of these assets would permit ORT to use all or part of the income earned on any related investments for general or specific purposes. Consistent with the terms of the New York Prudent Management of Institutional Funds Act (NYPMIFA), those earnings will initially be classified as with donor restrictions in the accompanying statement of activities, pending appropriation by the Board of Directors.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, are reported as increases (decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

# ORT America, Inc.

## Notes to Financial Statements

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### *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 ORT 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 reported at fair value based upon quoted market prices, except for the estimated fair value of the alternative investment, which, as a practical expedient, is based on the net asset value (NAV) or equivalent provided by the fund manager. The value is reviewed and evaluated by fund management and agrees with the valuation method and assumptions used in determining NAV or equivalent of this investment. The reported value may differ significantly from the value that would have been used had a ready market value for this investment existed. Investment income (expense) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

### *Investment in Real Estate Partnerships*

ORT has an interest in five real estate partnerships, which is recognized on the cost basis of accounting.

### *Contributions and Pledges and Grant Receivable*

Contributions are recognized when a donor makes a promise to give to ORT 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.

ORT provides for losses on 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 ORT to charge off uncollectible receivable when management determines that the receivable will not be collected. At December 31, 2019, ORT recorded a loss on property valuation of \$1,488,222.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Pledges primarily represent promises from individuals, while grants represent promises from foundations and other entities. Unconditional promises to give that are expected to be collected in the future years are recorded at fair value discounted with risk-adjusted rates.

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 pledges and grant receivable, net.

# ORT America, Inc.

## Notes to Financial Statements

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### *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 market 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*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels on inputs that may be used to measure fair value.

*Level 1* - This level consists of quoted prices in active markets for identical assets or liabilities.

*Level 2* - This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about ORT's business, its value or its financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire

# ORT America, Inc.

## Notes to Financial Statements

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holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

### ***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 based on annual employee time allocations and full-time equivalent that have been calculated and reviewed by management.

Program services are categorized as follows:

*ORT Schools and Grants* - These are remittances and expenses related to the different international and domestic schools and projects.

*National Activities* - These are the events and programs that generate awareness and funds to support the mission of ORT other than ORT schools and grants.

*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:

*Management and General* - These expenses relate to oversight, management and administration.

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

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. 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.

### ***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 ORT as described in Section 509(a).

ORT is subject to unrelated business income tax on certain revenue generated by investment activities, which are not considered to be a substantially related activity, at the applicable federal and state corporate tax rates.

# ORT America, Inc.

## Notes to Financial Statements

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### *Recently Adopted Accounting Standards*

#### *Statement of Cash Flows (Topic 230)*

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018 and is required to be applied retrospectively. ORT adopted the standard for the year ended December 31, 2019 and included for all periods presented.

#### *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether ORT follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for ORT's fiscal year 2019, and the adoption of this update did not have a material impact on ORT's financial statements.

#### *Retirement Benefits*

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07, *Compensation - Retirement Benefits*. This standard requires that employers who sponsor defined benefit pension or other postretirement plans to disaggregate specified components of net periodic pension cost and net periodic postretirement benefit cost (collectively, "net benefit cost"). Specifically, the standard generally requires employers to present in the statement of operations and changes in net assets the service cost component of net benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of operations and changes in net assets separately from the service component and outside the subtotal of operating income (loss). The new standard is effective for annual financial statements beginning after December 15, 2018 and suggested to be applied retrospectively. Effective January 1, 2019, ORT adopted the ASU, and the adoption of this update did not have a material impact on ORT's financial statements.

# ORT America, Inc.

## Notes to Financial Statements

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### *Accounting Pronouncements Issued but Not Yet Adopted*

#### *Accounting for Leases*

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

#### *Revenue from Contracts With Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for ORT until annual periods beginning after December 15, 2020. Earlier adoption is permitted, subject to certain limitations. ASU 2014-09 is required to be applied retrospectively to each prior reporting period presented, or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

### **3. Liquidity and Availability of Resources**

Financial assets consist of ORT's cash and cash equivalents, investments and net pledges receivable. The following represents ORT's financial assets, reduced by an amount not available for general use within one year because of contractual or donor-imposed restrictions:

#### *December 31, 2019*

Cash and cash equivalents and restricted cash	\$	2,535,954
Investments, at fair value		10,686,982
Pledges and grant receivable		13,415,154
<b>Total Current Assets</b>		<b>26,638,090</b>
Less: those unavailable for general expenditures within one year due to contractual, board or donor-imposed restrictions		(22,773,069)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$</b>	<b>3,865,021</b>

As part of ORT's liquidity management, ORT has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. Operating cash balance is monitored so as to not go below three months of the average personnel and operating requirements.

# ORT America, Inc.

## Notes to Financial Statements

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### 4. Pledges and Grant Receivable

ORT 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 ORT's past experience with the donor, management has determined that no allowance is needed for the receivable.

ORT received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 2.8% to 3.5%. Outstanding pledge and grant receivable were as follows:

*December 31, 2019*

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Amounts due in:		
Less than one year	\$	15,110,254
One to five years		3,488,438
		<hr/>
		18,598,692
Allowance for uncollectible contributions		(1,504,500)
Discount on multi-year pledge and grant receivable		(190,600)
		<hr/>
<b>Pledge and Grant Receivable, Net</b>	<b>\$</b>	<b>16,903,592</b>

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# ORT America, Inc.

## Notes to Financial Statements

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### 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:

*December 31, 2019*

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Money market funds	\$	296,503
Marketable equity securities		2,084,217
Mutual funds		1,192,475
Bonds		1,517,420
Pooled investment funds		7,098,150
State of Israel bonds		44,300
Investment in life insurance contract		6,961
<b>Total Investments, at fair value</b>	<b>\$</b>	<b>12,240,026</b>

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Net investment income consists of the following:

*Year ended December 31, 2019*

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Interest, dividends and changes in annuity values	\$	194,982
Realized gain		283,568
Unrealized gain		1,210,792
Insurance royalties		5,653
Management fees		(58,712)
	<b>\$</b>	<b>1,636,283</b>

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

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# ORT America, Inc.

## Notes to Financial Statements

### 6. Fair Value Measurement

The following table sets forth, by level within the fair value hierarchy, ORT's investments at fair value:

*December 31, 2019*

	Fair Value Measurement at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Money market funds	\$ 296,503	\$ -	\$ -	\$ 296,503
Bonds:				
Corporate	148,431	431,532	-	579,963
Government agency	-	937,457	-	937,457
	148,431	1,368,989	-	1,517,420
Marketable equity securities:				
Exchange-traded funds	1,940,770	-	-	1,940,770
Common stock	129,980	-	-	129,980
International equities	13,467	-	-	13,467
	2,084,217	-	-	2,084,217
Mutual funds:				
Fixed income	1,190,754	-	-	1,190,754
Hedge funds	1,721	-	-	1,721
	1,192,475	-	-	1,192,475
Pooled investment funds	-	6,923,893	174,257	7,098,150
State of Israel bonds	-	44,300	-	44,300
Investment in life insurance contract	-	-	6,961	6,961
<b>Total Investments, at fair value</b>	<b>\$ 3,721,626</b>	<b>\$ 8,337,182</b>	<b>\$ 181,218</b>	<b>\$ 12,240,026</b>

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. ORT'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 ORT to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

# ORT America, Inc.

## Notes to Financial Statements

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The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2019:

- Marketable equity securities, mutual funds 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 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 ORT by the fund. In determining the fair value, ORT utilizes, as a practical expedient, the NAV 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 ORT's investment pool generally represents the amount that ORT would expect to receive if it were to liquidate its investment in the investment pool, excluding any redemption charges that may apply.
- ORT 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 ORT after a withdrawal written notice is received from ORT. There is a possibility that ORT would not be able to redeem its investments within 90 days from the date of the redemption request.

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value:

*Year ended December 31, 2019*

	Investment in Life Insurance Contract	Pooled Investment Funds
<b>Balance</b> , beginning of year	\$ 6,940	\$ 709,165
Interest and dividends	21	-
Net realized gain	-	27,601
Net unrealized loss	-	(462)
Investment fees	-	(1,475)
Withdrawal of investments	-	(560,572)
<b>Balance</b> , end of year	\$ 6,961	\$ 174,257

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

# ORT America, Inc.

## Notes to Financial Statements

### 7. Property and Equipment, Net

Property and equipment consist of the following:

*December 31, 2019*

Leasehold improvements	\$	50,973
Furniture and equipment		115,816
Property and equipment of branches, net		1,799
		168,588
Less: accumulated depreciation and amortization		(149,395)
	\$	19,193

Depreciation and amortization expense was \$6,993 for the year ended December 31, 2019 and 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
2020	\$ 390,952	\$ 216,909	\$ 607,861
2021	401,703	188,118	589,821
2022	412,750	90,028	502,778
2023	424,101	-	424,101
2024	435,763	-	435,763
Thereafter	1,064,673	-	1,064,673
	\$ 3,129,942	\$ 495,055	\$ 3,624,997

Occupancy expense was \$639,502 for the year ended December 31, 2019.

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.

ORT leases office equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2024 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.

# ORT America, Inc.

## Notes to Financial Statements

The future minimum rental payment required under the operating lease agreement for office equipment is \$181,963 as of December 31, 2019, to be paid through 2024.

Equipment lease expense (included in the statement of functional expenses) was \$62,758 for the year ended December 31, 2019.

### 9. Accrued Pension Payable

ORT administers three pension plans:

*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.

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

*Defined Contribution Pension Plan* - ORT established a defined contribution pension plan covering substantially all of its employees. Pension expense under this plan was \$101,458 for the year ended December 31, 2019.

The following table summarizes the benefit obligation, fair value of assets and the funded status:

*Year ended December 31, 2019*

	WAO	AOI
Benefit obligation	\$ (6,095,288)	\$ (8,772,835)
Fair value of plan assets	4,932,355	7,451,154
<b>Funded Status, end of year</b>	<b>\$ (1,162,933)</b>	<b>\$ (1,321,681)</b>
Amounts recognized as liabilities in the statement of financial position	\$ (1,162,933)	\$ (1,321,681)
Amounts recognized as cumulative changes in pension other than net periodic costs:		
Net loss	\$ (3,205,113)	\$ (5,117,788)
Cumulative employer contributions in excess of net periodic benefit cost	2,052,180	3,796,107
<b>Net Amount Recognized</b>	<b>\$ (1,162,933)</b>	<b>\$ (1,321,681)</b>
Components of net periodic benefit costs:		
Interest cost	\$ 218,986	\$ 327,594
Expected return on assets	(285,288)	(444,517)
Amortization of net loss	167,897	276,614
<b>Net Periodic Benefit Cost</b>	<b>\$ 101,595</b>	<b>\$ 159,691</b>

**ORT America, Inc.**  
**Notes to Financial Statements**

Changes in pension costs other than net periodic costs:

*December 31, 2019*

	WAO	AOI
Net gain	\$ (186,778)	\$ (687,129)
Amortization of net loss	(167,897)	(276,614)
<b>Net Other Than Periodic Benefits</b>	<b>\$ (354,675)</b>	<b>\$ (963,743)</b>
Accumulated benefit obligation	\$ 6,095,288	\$ 8,772,835
Employer contributions	131,690	49,820
Benefits paid	426,112	542,185

Weighted average assumptions to determine benefit obligations:

*December 31, 2019*

	WAO (%)	AOI (%)
Discount rate	3.00	3.00
Rate of compensation increase	N/A	N/A

Weighted average assumptions to determine net periodic cost:

*December 31, 2019*

	WAO (%)	AOI (%)
Discount rate	3.80	3.80
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
2020	\$ 490,000	\$ 720,000
2021	490,000	680,000
2022	480,000	660,000
2023	460,000	620,000
2024	440,000	610,000
2025-2029	1,980,000	2,700,000

ORT expects to contribute \$490,000 for WAO and \$720,000 for AOI in 2020.

# ORT America, Inc.

## Notes to Financial Statements

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The fair value of the plans' investments by asset category, are as follows:

*December 31, 2019*

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	Fair Value Using Quoted Prices in Active Markets for Identical Assets			
	WAO		AOI	
Mutual funds:				
Small cap	167,389	3%	252,869	3%
Large value	829,259	17%	1,252,734	17%
International	490,258	10%	740,618	10%
Fixed income	3,445,449	70%	5,204,933	70%
	<u>\$ 4,932,355</u>	<u>100%</u>	<u>\$ 7,451,154</u>	<u>100%</u>

---

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.

The WAO and AOI plan consist of \$4,932,355 and \$7,451,154 Level 1 investments.

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# ORT America, Inc.

## Notes to Financial Statements

### 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.

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

*December 31, 2019*

Benefit obligation	\$	(420,577)
Fair value of plan assets		-
<b>Funded Status, end of year</b>	<b>\$</b>	<b>(420,577)</b>
Amounts recognized as liabilities in the statement of financial position	\$	(420,577)
Components of net periodic benefit cost:		
Interest cost	\$	14,744
Amortization of transition obligation		24,205
Amortization of actuarial gain		(877)
<b>Net Periodic Benefit Cost</b>	<b>\$</b>	<b>38,072</b>
Changes in pension costs other than net periodic costs:		
Actuarial loss	\$	34,818
Amortization of transition obligation		(24,205)
Amortization of actuarial gain		877
<b>Net Other than Periodic Benefit</b>	<b>\$</b>	<b>11,490</b>
Employer contributions	\$	22,941
Plan participants' contributions		1,200
Benefits paid		(24,141)

Weighted-average assumptions to determine benefit obligations:

<i>December 31, 2019</i>		(%)
Discount rate		2.88

Weighted-average assumptions to determine net periodic benefit cost:

<i>Year ended December 31, 2019</i>		(%)
Discount rate		4.00



# ORT America, Inc.

## Notes to Financial Statements

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

*Year ending December 31,*

2020	\$	51,578
2021		41,829
2022		38,115
2023		34,988
2024		32,291
2025-2029		130,087

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ORT expects to contribute \$51,578 to the plan in 2020.

The assumed health care trend rate is as follows:

*December 31, 2019*

Health care cost trend rate assumed for next year	5.750%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Year that the rate reaches the ultimate trend rate	2075

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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:

*December 31, 2019*

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	\$ 42	\$ (40)
Effect on postretirement benefit obligation	1,124	(1,071)

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### 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, 2019 was \$111,694.

### 12. Split-Interest Agreements Obligations

ORT has numerous split-interest agreements that include charitable remainder trusts and gift annuities where ORT serves as trustee for the benefit of the individual beneficiaries. Under these agreements, ORT 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, ORT 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

# ORT America, Inc.

## Notes to Financial Statements

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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 is 120% of the Applicable Federal Midterm Rate, rounded to the nearest 0.2% based on the commencement date of each annuity.

The financial statements include various split-interest agreements as follows:

*December 31, 2019*

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Statement of activities:		
Contributions	\$	128,947
Change in value of split-interest agreements		50,887
Statement of financial position:		
Investments		2,558,225
Liabilities under split-interest agreements		1,632,040

---

Management has determined the asset balance at December 31, 2019 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 ORT issues gift annuities. Reserves are included in liabilities under split-interest agreement obligations on the accompanying statement of financial position.

### 13. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 are available for educational assistance and scholarships.

During the year ended December 31, 2019, net assets with donor restrictions were released from restrictions by satisfying the restricted purposes for education.

Other donor-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. Endowment and Board-Designated Funds

*The Endowment* - ORT's endowment consists of approximately 24 individual special-purpose funds. As required by U.S. 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 ORT's seeking to maintain the purchasing power of the endowment.

*Return Objectives and Risk Parameters* - ORT 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 ORT 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

# ORT America, Inc.

## Notes to Financial Statements

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, ORT 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). ORT 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 ORT's Board of Directors. The earnings on the net assets held in perpetuity are released from restricted funds and are used in accordance with donor stipulations, as described in Note 13.

ORT's endowment net assets had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets, January 1, 2019</b>	\$ 535,990	\$ 9,700,692	\$ 10,236,682
Investment return:			
Investment income	6,900	60,767	67,667
Investment fee	(2,587)	(22,778)	(25,365)
Net change in asset value (realized and unrealized)	78,012	686,993	765,005
<b>Total Investment Return</b>	82,325	724,982	807,307
Contributions	24,484	48,800	73,284
Appropriation of endowment assets for expenditure	(34,464)	(279,585)	(314,049)
<b>Changes in Net Assets</b>	72,345	494,197	566,542
<b>Endowment Net Assets, December 31, 2019</b>	\$ 608,335	\$ 10,194,889	\$ 10,803,224

### 15. Grants Payable, World ORT

As of December 31, 2019, ORT has received \$1,330,314 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 \$4,684,704 (stated at net present value) to be received from a donor for the Anieres Program will be transferred to World ORT when collected.

### 16. 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

# ORT America, Inc.

## Notes to Financial Statements

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its daily activities in exchange for a license fee. ORT is to pay WAOF a 3% 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 99 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, 2019.

ORT charges WAOF for its share in certain audit and accounting services. For the year ended December 31, 2019, WAOF's allocated share is \$29,000. As of December 31, 2019, ORT due from its affiliate WAOF was \$405,897.

ORT received \$499,333 in contributions from WAOF for the year ended December 31, 2019.

As of December 31, 2019, ORT due from its World ORT affiliate was \$417,678 in relation to settlement reimbursements and other amounts.

### 17. Subsequent Events

#### *COVID-19 and CARES Act*

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on ORT's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, ORT is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

ORT is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives have impacted ORT's ability to deploy its workforce effectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act contains measures designed to bring some economic and fiscal relief to companies, small businesses, and individuals facing financial difficulties due to the COVID-19 crisis. ORT has received a \$784,200 Paycheck Protection Program loan. Management used the loan proceeds in accordance with the terms of the CARES Act and received forgiveness from the small Business Administration on December 29, 2020.

Although ORT cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on ORT's results of future operations, financial position and liquidity in fiscal year 2020.

# ORT America, Inc.

## Notes to Financial Statements

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### *Unauthorized Fund Transfer*

ORT has been informed by its third-party custodian that the custodian effectuated an unauthorized transfer of funds from ORT's investment portfolio on July 10, 2020 to July 20, 2020, in the amount of \$3,120,000. This transfer was not authorized by ORT and was made without documentation in contravention of the custodian's policies and procedures. This matter was reported by management to our Audit Committee and Board of Directors.

An investigation was conducted by ORT's third-party custodian, which included reporting this incident to federal law enforcement agencies. Additionally, ORT has filed a claim against the custodian for the full amount of the funds wrongfully transferred from its investment account, plus damages and expenses related to the theft of funds.

ORT has performed subsequent event procedures through January 19, 2021, which is the date the financial statements were available to be issued. There were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein, other than the matters discussed above.