

ORT America, Inc.

Financial Statements Year Ended December 31, 2021

ORT America, Inc.

Financial Statements
Year Ended December 31, 2021

ORT America, Inc.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of ORT America, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

November 9, 2022

ORT America, Inc.

Statement of Financial Position

December 31, 2021

Assets

Cash and cash equivalents (Note 2)	\$ 4,436,853
Investments, at fair value (Notes 2 and 5)	11,492,876
Pledges and grants receivable, net, current portion (Notes 2 and 4)	9,865,673
Prepaid expenses and other assets	303,538

Total Current Assets	26,098,940
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Pledges and grants receivable, net, less current portion (Note 2 and 4)	225,625
Investments in real estate partnerships, at cost (Note 2)	330,825
Beneficial interests in perpetual trusts held by third parties (Notes 2 and 5)	1,721,172
Due from affiliates (Note 17)	894,610
Property and equipment, net (Note 2)	22,567

Total Assets	\$ 29,293,739
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 394,033
Employees' severance payable, current portion (Note 11)	18,842
Accrued postretirement benefit costs, current portion (Note 10)	33,800
Accrued pension payable, current portion (Note 9)	130,160
Grants payable - World ORT, current portion (Note 15)	830,543
Loans payable - Paycheck Protection Program, current portion (Note 16)	-

Total Current Liabilities	1,407,378
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Employees' Severance Payable, less current portion (Note 11)	75,369
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Deferred Rent Payable (Note 8)	198,275
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Accrued Postretirement Benefit Costs, less current portion (Note 10)	321,759
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Accrued Pension Payable, less current portion (Note 9)	556,217
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Split-Interest Agreement Obligations (Note 12)	1,546,395
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Loans Payable - Paycheck Protection Program, less current portion (Notes 16 and 19)	784,320
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Total Liabilities	4,889,713
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Commitments and Contingencies (Notes 2, 3, 5, 8, 9, 10, 12, 13, and 14)

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

Without donor restrictions	3,191,363
With donor restrictions	21,212,663

Total Net Assets	24,404,026
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Total Liabilities and Net Assets	\$ 29,293,739
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See accompanying notes to financial statements.

ORT America, Inc.

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Public Support, and Other Support			
Contributions (Note 2)	\$ 5,642,157	\$ 875,206	\$ 6,517,363
Grant income (Note 2)	1,823,976	-	1,823,976
Membership dues (Note 2)	54,296	-	54,296
Legacies (Note 2)	4,278,066	-	4,278,066
Net investment income (Note 5)	994,244	750,083	1,744,327
Income from real estate partnerships (Note 2)	146,618	-	146,618
Change in value of split-interest agreements (Note 12)	-	(166,137)	(166,137)
Special events (Note 2)	898,597	-	898,597
Miscellaneous	960,550	-	960,550
Net assets released from restrictions (Notes 2 and 13)	2,320,513	(2,320,513)	-
Total Revenue, Public Support, and Other Support	17,119,017	(861,361)	16,257,656
Expenses			
Program services:			
ORT schools and grants	7,138,771	-	7,138,771
National activities	4,239,586	-	4,239,586
Communications and marketing	739,618	-	739,618
Total Program Services	12,117,975		12,117,975
Supporting services:			
Management and general	1,182,856	-	1,182,856
Fundraising	699,288	-	699,288
Total Supporting Services	1,882,144	-	1,882,144
Total Expenses	14,000,119	-	14,000,119
Change in Net Assets , before recovery of unauthorized fund transfer and pension and other post-retirement related costs, other than net periodic costs	3,118,898	(861,361)	2,257,537
Recovery of Unauthorized Fund Transfer (Note 5)	3,120,000	-	3,120,000
Pension and Other Postretirement-Related Costs , other than net periodic costs	1,406,849	-	1,406,849
Change in Net Assets	7,645,747	(861,361)	6,784,386
Net Assets (Deficit) , beginning of year	(4,454,384)	22,074,024	17,619,640
Net Assets , end of year	\$ 3,191,363	\$ 21,212,663	\$ 24,404,026

See accompanying notes to financial statements.

ORT America, Inc.
Statement of Functional Expenses

Year ended December 31, 2021

	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	\$ 195,046	\$ 2,096,603	\$ 356,500	\$ 2,648,149	\$ 357,287	\$ 465,830	\$ 823,117	\$ 3,471,266
Payroll taxes and employee benefits	45,568	489,823	83,288	618,679	83,472	108,830	192,302	810,981
Total Salaries and Related Expenses	240,614	2,586,426	439,788	3,266,828	440,759	574,660	1,015,419	4,282,247
Custody account expense and filing fees	-	1,386	-	1,386	30,262	-	30,262	31,648
Telephone	826	29,733	1,374	31,933	1,974	1,823	3,797	35,730
Supplies	77	14,468	15,906	30,451	2,403	169	2,572	33,023
Printing and publications	5	116,755	71,596	188,356	757	11	768	189,124
Professional and consulting fees	7,306	186,901	110,319	304,526	36,074	16,128	52,202	356,728
Postage and shipping fees	216	22,024	25,701	47,941	814	476	1,290	49,231
Occupancy	23,971	496,500	39,875	560,346	57,291	52,917	110,208	670,554
Travel	-	16,013	44	16,057	4,191	-	4,191	20,248
Meetings, conferences, and events	813	108,880	1,397	111,090	5,419	1,794	7,213	118,303
Computer system and maintenance	7,287	102,109	12,123	121,519	17,432	22,783	40,215	161,734
Local regions and chapters-at-large	-	359,091	-	359,091	-	-	-	359,091
Insurance	3,067	42,970	5,101	51,138	7,330	6,770	14,100	65,238
Equipment lease expense	1,600	40,657	2,661	44,918	5,285	3,532	8,817	53,735
Legal fees	-	-	-	-	128,285	-	128,285	128,285
Doubtful accounts	-	-	-	-	354,617	-	354,617	354,617
Depreciation and amortization	264	3,700	439	4,403	632	583	1,215	5,618
Miscellaneous expenses	7,911	111,973	13,294	133,178	19,181	17,642	36,823	170,001
Unrelated business income tax	-	-	-	-	70,150	-	70,150	70,150
Subtotal	293,957	4,239,586	739,618	5,273,161	1,182,856	699,288	1,882,144	7,155,305
Overseas and domestic program grants	6,844,814	-	-	6,844,814	-	-	-	6,844,814
Total Expenses	\$ 7,138,771	\$ 4,239,586	\$ 739,618	\$ 12,117,975	\$ 1,182,856	\$ 699,288	\$ 1,882,144	\$ 14,000,119

See accompanying notes to financial statements.

ORT America, Inc.
Statement of Cash Flows

Year ended December 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 6,784,386
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,618
Net realized gain on investments	(496,206)
Net unrealized gain on investments	(532,104)
Net realized and unrealized gain on beneficial interests in perpetual trusts held by third parties	(155,984)
Change in value of split-interest agreements	17,030
Change in present value of contributions receivable	(230,000)
(Gain) from unauthorized fund transfer	(3,120,000)
Pension and other retirement benefits other than net periodic costs	(1,406,849)
Decrease (increase) in assets:	
Pledges and grants receivables	3,811,953
Due from affiliates	(372,614)
Prepaid expenses and other assets	(11,708)
Beneficial interests in perpetual trusts held by third parties	(80,960)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(124,988)
Accrued pension payable	(230,114)
Accrued postretirement benefit costs	(51,598)
Employees' severance payable	(18,842)
Grants payable, World ORT	(2,407,379)
Deferred rent payable	2,054
Net Cash Provided by Operating Activities	1,381,695
Cash Flows from Investing Activities	
Purchases of investments	(2,433,801)
Purchase of property and equipment	(5,636)
Proceeds from sale of investments	3,352,234
Net Cash Provided by Investing Activities	912,797
Cash Flows from Financing Activities	
Split-interest agreement obligation payments	(50,547)
Net Increase in Cash and Cash Equivalents	2,243,945
Cash and Cash Equivalents, beginning of year	2,192,908
Cash and Cash Equivalents, end of year	\$ 4,436,853

See accompanying notes to financial statements.

ORT America, Inc.

Notes to Financial Statements

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 200,000 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. The net assets without donor restrictions are used to account for all resources over which the Board of Directors has discretionary control.

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.

Net Assets with Donor Restrictions - Perpetual in Nature - This class consists of net assets 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 financial position, pending appropriation by the Board of Directors.

ORT America, Inc.

Notes to Financial Statements

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.

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 two real estate partnerships, which is recognized on the cost basis of accounting.

Revenue Recognition

Contributions and Pledges and Grants 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.

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.

ORT America, Inc.

Notes to Financial Statements

Legacies

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 grants receivable, net.

Property and Equipment, Net

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.

Investment Risks

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.

ORT America, Inc.

Notes to Financial Statements

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 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 and by natural classification in the statement of functional expenses. 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 expenses are associated with remittances and expenses related to the different international and domestic schools and projects.

National Activities - These expenses are associated with 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, 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 organization, as described in Section 509(a).

ORT America, Inc.

Notes to Financial Statements

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.

Under U.S. GAAP, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. ORT does not believe it has taken any materially uncertain tax positions, and accordingly, it has not recorded any liability for unrecognized tax benefits. ORT has filed and received income tax exemptions in the jurisdictions where it is required to do so. For the year ended December 31, 2021, there were no interest or penalties recorded or included in the statement of activities and changes in net assets. ORT is subject to routine audits by a taxing authority. As of December 31, 2021, ORT was not subject to any examination by a taxing authority.

Accounting Pronouncements Issued to be 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.

Not-for-Profit Entities (Topic 958)

The FASB issued ASU 2020-07, the update to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

The enhanced presentation and disclosure requirements include the contributed nonfinancial assets as separately stated as an individual line item in the statement of activities, distinct from contributions of cash or other financial assets. The contributed nonfinancial assets are also disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the consolidated statement of activities. For each type of contributed nonfinancial assets recognized, a not-for-profit will disclose the not-for-profit's policy (if any) on liquidating rather than using contributed nonfinancial assets; qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period, and, if used, a description of how the asset was employed should be included; any donor-imposed restrictions related to the contributed nonfinancial assets; and the valuation methods and inputs utilized to determine a fair value. In accordance with Topic 820, *Fair Value Measurement*, it should be measured at initial recognition. The principal or most advantageous market is utilized to calculate fair value if it is market in which the not-for-profit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets and is effective for annual reporting periods beginning after June 15, 2021 with early adoption permitted. ORT is currently evaluating the impact of the adoption of the ASU on its financial statements.

ORT America, Inc.

Notes to Financial Statements

3. Liquidity and Availability of Resources

Financial assets consist of ORT's cash and cash equivalents, investments, and the current portion of net pledges and grants 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, 2021

Cash, cash equivalents, and restricted cash	\$	4,436,853
Investments, at fair value		11,492,876
Pledges and grants receivable		9,865,673
Total Assets Available to Management		25,795,402
Less: those unavailable for general expenditures within one year due to contractual, board, or donor-imposed restrictions		(18,935,041)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year		\$ 6,860,361

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. The operating cash balance is monitored so as to not go below three months of the average personnel and operating requirements.

4. Pledges and Grants Receivable, Net

ORT received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 2.5% to 3.6%. Outstanding pledges and grants receivable were as follows:

December 31, 2021

	Legacy	Pledges	Anieres	Others	Total
Amounts due in:					
Less than one year	\$ 9,880,000	\$ 1,808,150	\$ -	\$ 114,953	\$ 11,803,103
One to five years	-	225,625	-	-	225,625
	9,880,000	2,033,775	-	114,953	12,028,728
Less:					
Allowance for uncollectible contributions	(1,605,000)	(5,000)	-	-	(1,610,000)
Discount on multi-year pledges and grants receivable	(310,000)	(17,430)	-	-	(327,430)
Pledges and Grants Receivable, Net	\$ 7,965,000	\$ 2,011,345	\$ -	\$ 114,953	\$ 10,091,298

ORT America, Inc.

Notes to Financial Statements

5. Investments, at Fair Value (Including Beneficial Interests in Perpetual Trusts Held by Third Parties)

Investments, at fair value (including beneficial interests in perpetual trusts held by third parties) consist of the following:

December 31, 2021

Money market funds	\$	225,830
Marketable equity securities		2,323,805
Mutual funds		1,140,618
Bonds		956,194
Pooled investment funds		8,548,587
State of Israel bonds		12,100
Investment in life insurance contract		6,914
Total Investments, at fair value	\$	13,214,048

Net investment income consists of the following:

Year ended December 31, 2021

Interest, dividends, and changes in annuity values	\$	205,286
Realized gain		1,112,754
Unrealized gain		484,434
Insurance royalties		2,991
Management fees		(61,138)
	\$	1,744,327

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.

Recovery of 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, 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.

In May 2021, ORT and the third-party custodian reached an agreement for the custodian to restore the full amount of the loss from the unauthorized fund transfer including any lost earnings, net of management fees. The actual transfer of the funds was completed in July 2021 in a new investment

ORT America, Inc.

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fund designated by ORT. As of December 31, 2021, ORT recognized a recovery of unauthorized fund transfer in the amount of \$3,120,000 as shown in the statement of activities. The lost earnings recovered were recorded as investment income, which amounted to \$632,345.

6. Investments, at Fair Value

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

December 31, 2021

	Fair Value Measurement at Reporting Date Using			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 225,830	\$ -	\$ -	\$ 225,830
Bonds:				
Corporate	11,819	551,971	-	563,790
Government agency	-	392,404	-	392,404
	11,819	944,375	-	956,194
Marketable equity securities:				
Exchange-traded funds	2,096,410	-	-	2,096,410
Common stock	157,263	-	-	157,263
International equities	70,132	-	-	70,132
	2,323,805	-	-	2,323,805
Mutual funds:				
Fixed income	1,140,618	-	-	1,140,618
Pooled investment funds	-	8,356,501	192,086	8,548,587
State of Israel bonds	-	12,100	-	12,100
Investment in life insurance contract	-	-	6,914	6,914
Total Investments, at fair value	\$ 3,702,072	\$ 9,312,976	\$ 199,000	\$ 13,214,048

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.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2021:

- 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.

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- 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, 2021

	Investment in Life Insurance Contract	Pooled Investment Funds
Balance , beginning of year	\$ 6,979	\$ 179,152
Interest and dividends	-	-
Net realized gain	-	22,182
Net unrealized gain	-	559
Investment fees	-	(1,643)
Withdrawal of investments	(65)	(8,164)
Balance , end of year	\$ 6,914	\$ 192,086

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

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7. Property and Equipment, Net

Property and equipment consist of the following:

December 31, 2021

Leasehold improvements	\$	50,973
Furniture and equipment		131,471
Property and equipment of branches, net		779
		<hr/>
		183,223
Less: accumulated depreciation and amortization		(160,656)
	\$	<hr/>
		22,567

Depreciation and amortization expense was \$5,618 for the year ended December 31, 2021 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
2022	\$ 412,750	\$ 174,264	\$ 587,014
2023	424,101	62,825	486,926
2024	435,763	35,555	471,318
2025	447,747	21,302	469,049
2026	460,060	21,939	481,999
Thereafter	156,866	14,971	171,837
	<hr/>	<hr/>	<hr/>
	\$ 2,337,287	\$ 330,856	\$ 2,668,143

Occupancy expenses were \$670,554 for the year ended December 31, 2021.

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 2026 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.

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The future minimum rental payment required under the operating lease agreement for office equipment is \$4,242 as of December 31, 2021, to be paid through 2024.

Equipment lease expense (included in the statement of functional expenses) was \$50,902 for the year ended December 31, 2021.

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 Employee 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 \$121,802 for the year ended December 31, 2021.

The following tables summarize the benefit obligation, fair value of assets, and the funded status:

Year ended December 31, 2021

	WAO	AOI
Benefit obligation	\$ (6,057,056)	\$ (8,417,887)
Fair value of plan assets	5,611,547	8,177,019
Funded Status, end of year	\$ (445,509)	\$ (240,868)
Amounts recognized as liabilities in the statement of financial position	\$ (445,509)	\$ (240,868)
Amounts recognized as cumulative changes in pension other than net periodic costs:		
Net loss	\$ (2,484,948)	\$ (3,702,293)
Cumulative employer contributions in excess of net periodic benefit cost	2,039,439	3,461,425
Net Amount Recognized	\$ (445,509)	\$ (240,868)
Components of net periodic benefit costs:		
Interest cost	\$ 133,860	\$ 183,579
Expected return on assets	(167,094)	(272,323)
Amortization of net loss	149,832	206,638
Net Periodic Benefit Cost	\$ 116,598	\$ 117,894

ORT America, Inc.
Notes to Financial Statements

Changes in pension costs other than net periodic costs:

December 31, 2021

	WAO	AOI
Net gain	\$ (523,509)	\$ (728,146)
Amortization of net loss	(149,832)	(206,638)
Net Other Than Periodic Benefits	\$ (673,341)	\$ (934,784)
Accumulated benefit obligation	\$ 6,057,056	\$ 8,417,887
Employer contributions	254,640	8,690
Benefits paid	(421,274)	(571,467)

Weighted-average assumptions to determine benefit obligations:

December 31, 2021

	WAO (%)	AOI (%)
Discount rate	2.50	2.50
Rate of compensation increase	N/A	N/A

Weighted-average assumptions to determine net periodic cost:

December 31, 2021

	WAO (%)	AOI (%)
Discount rate	2.15	2.15
Expected return on plan assets	5.25	5.25
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
2022	\$ 550,000	\$ 830,000
2023	490,000	580,000
2024	470,000	580,000
2025	450,000	570,000
2026	440,000	550,000
2027-2030	1,900,000	2,490,000

ORT expects to contribute \$130,160 for WAO and \$0 for AOI in 2021.

ORT America, Inc.

Notes to Financial Statements

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

December 31, 2021

Fair Value Using Quoted Prices in Active Markets for Identical Assets				
WAO			AOI	
	Amount	%	Amount	%
Mutual funds:				
Small cap	\$ 802,595	14	\$ 1,161,802	14
Large value	972,436	17	1,407,592	17
International	535,863	10	775,555	9
Fixed income	3,300,653	59	4,832,070	59
	\$ 5,611,547	100	\$ 8,177,019	100

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 \$5,611,547 and \$8,177,019, respectively, of Level 1 investments.

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.

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Notes to Financial Statements

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

December 31, 2021

Benefit obligation	\$	(355,559)
Fair value of plan assets		-
Funded Status, end of year	\$	(355,559)
Amounts recognized as liabilities in the statement of financial position	\$	(355,559)
Components of net periodic benefit cost:		
Interest cost	\$	7,482
Amortization of transition obligation		24,205
Amortization of actuarial gain		-
Net Periodic Benefit Cost	\$	31,687
Changes in pension costs other than net periodic costs:		
Actuarial gain	\$	(40,698)
Amortization of transition obligation		(24,205)
Amortization of actuarial gain		-
Net Other than Periodic Benefit	\$	(64,903)
Employer contributions	\$	18,382
Plan participants' contributions		-
Benefits paid		(18,382)

Weighted-average assumptions to determine benefit obligations:

<i>December 31, 2021</i>		(%)
Discount rate		2.39

Weighted-average assumptions to determine net periodic benefit cost:

<i>Year ended December 31, 2021</i>		(%)
Discount rate		1.93

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

Year ending December 31,

2022	\$	33,800
2023		32,000
2024		30,300
2025		28,600
2026		27,100
2027-2030		114,000

ORT expects to contribute \$33,800 to the plan in 2022.

ORT America, Inc.

Notes to Financial Statements

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, 2021 was \$94,211.

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 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, 2021

Statement of activities:		
Contributions	\$	-
Change in value of split-interest agreements		(166,137)
Statement of financial position:		
Investments		-
Liabilities under split-interest agreements		1,546,395

Management has determined the asset balance at December 31, 2021 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.

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Notes to Financial Statements

13. Net Assets

With Donor Restrictions

Net assets with donor restrictions are restricted for the following time and purpose:

December 31, 2021

Donor-imposed time and purpose restrictions	\$	10,600,247
Subject to appropriation and satisfaction of donor restrictions		5,414,705
Restricted in perpetuity		5,197,711
	\$	21,212,663

During the year ended December 31, 2021, net assets with donor restrictions in the amount of \$2,320,513 were released from restrictions by satisfying the restricted purposes for education.

Without Donor Restrictions

Net assets without donor restrictions are as follows:

December 31, 2021

Board-designated net assets	\$	654,903
Undesignated		2,536,460
	\$	3,191,363

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 of donor-imposed restrictions or Board-designated net assets.

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 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

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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 (Board Designated)	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2021	\$ 606,232	\$ 10,191,494	\$ 10,797,726
Investment return:			
Investment income	6,810	89,318	96,128
Investment fee	(1,595)	(20,917)	(22,512)
Net change in asset value (realized and unrealized)	33,542	439,894	473,436
Total Investment Return	38,757	508,295	547,052
Contributions	50,563	52,750	103,313
Appropriation of endowment assets for expenditure	(40,649)	(140,123)	(180,772)
Changes in Net Assets	48,671	420,922	469,593
Endowment Net Assets, December 31, 2021	\$ 654,903	\$ 10,612,416	\$ 11,267,319

15. Grants Payable - World ORT

As of December 31, 2021, ORT has received \$830,543, 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.

16. Loan Payable - Paycheck Protection Program

In January 2021, ORT applied for and received approval for a loan under the Paycheck Protection Program (PPP) administered by the United States Small Business Administration. The receipt of these funds, and the loan forgiveness of the loan attendant to these funds, is dependent on ORT having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. As mentioned in Note 18, the PPP was legislated as part of the CARES Act, and is a program designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. As of December 31, 2021, ORT's PPP loan had a balance of \$784,320 at an interest rate of 1%, with a maturity date of January 20, 2023. The note is held by a bank. The loan is eligible for forgiveness under the CARES Act; management has applied for forgiveness prior to the deadline and, subsequent to year-end, the loan was fully forgiven.

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17. 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 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, 2021.

ORT charges WAOF for its share in certain audit and accounting services. For the year ended December 31, 2021, WAOF's allocated share is \$16,000. As of December 31, 2021, ORT due from its affiliate WAOF was \$606,456.

ORT received \$193,000 in contributions from WAOF for the year ended December 31, 2021.

As of December 31, 2021, ORT due from its World ORT affiliate was \$288,154 in relation to settlement reimbursements and other amounts.

18. Subsequent Events

Subsequent to year-end, ORT received full forgiveness of the PPP loan from the United States Small Business Administration.

ORT has evaluated events and transactions occurring subsequent to December 31, 2021 for items that could potentially be recognized or disclosed in these financial statements. This evaluation was conducted through November 9, 2022, the date these financial statements were available to be issued.