ORT AMERICA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

ORT AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ORT America, Inc.

We have audited the accompanying financial statements of ORT America, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the local regions and chapters-at-large, which statements reflect total assets of $102,835 at December 31, 2018, and total revenues of $1,789,206 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 regions and chapters-at-large, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

(Continued)

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Friedman LLP

October 10, 2019

ORT AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS		
Cash and cash equivalents	$	3,242,824
Restricted cash		584,364
Investments, at fair value		9,904,574
Investments in real estate partnerships, at cost		352,462
Contributions receivable, net		
Anieres Program		6,067,630
Other		12,060,877
Due from WAOF		491,618
Due from World ORT		462,551
Prepaid expenses and other assets		295,785
Beneficial interests in perpetual trusts held by third parties		1,404,071
Property and equipment, net		25,362
	$	34,892,118
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$	714,740
Accrued pension payable		3,723,256
Accrued postretirement benefit costs		393,956
Employees' severance payable		130,536
Grants payable - World ORT		
Anieres Program		5,967,922
Other		1,564,100
Deferred rent payable		167,744
Deferred revenue		583,590
Split-interest agreement obligations		1,679,743
		14,925,587
Commitments and contingencies		
Net assets		
Without donor restrictions		(2,223,088)
With donor restrictions		22,189,619
		19,966,531
	$	34,892,118

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, public support and other support			
Contributions	$ 4,439,131	$ 2,291,877	$ 6,731,008
Grant income	2,431,333	-	2,431,333
Membership dues	207,456	-	207,456
Legacies	2,308,398	-	2,308,398
Net investment loss	(192,776)	(340,599)	(533,375)
Income from real estate partnerships	214,228	-	214,228
Change in value of split-interest agreements	-	52,242	52,242
Special events	891,037	-	891,037
Miscellaneous	106,042	-	106,042
Gain on sale of property	214,344	-	214,344
Net assets released from restrictions	2,456,959	(2,456,959)	-
Total revenue, public support and other support	13,076,152	(453,439)	12,622,713
Expenses			
Program services			
ORT schools and grants	7,141,373	-	7,141,373
National activities	3,893,255	-	3,893,255
Communications and marketing	523,372	-	523,372
Total program services	11,558,000	-	11,558,000
Supporting services			
Management and general	965,465	-	965,465
Fund-raising	811,661	-	811,661
Total supporting services	1,777,126	-	1,777,126
Total expenses before other items	13,335,126	-	13,335,126
Change in net assets before other items	(258,974)	(453,439)	(712,413)
Other items			
Pension and other postretirement-related costs other than net periodic costs	(913,355)	-	(913,355)
Change in net assets	(1,172,329)	(453,439)	(1,625,768)
Net assets (deficiency)			
Beginning of year	(1,050,759)	22,643,058	21,592,299
End of year	$ (2,223,088)	$ 22,189,619	$ 19,966,531

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			
	ORT Schools and Grants	National Activities	Communications and Marketing	Total	Management and General	Fund-Raising	Total	Total
Salaries	$ 221,684	$ 1,832,951	$ 246,078	$ 2,300,713	$ 383,584	$ 285,187	$ 668,771	$ 2,969,484
Payroll taxes and employee benefits	50,359	416,384	55,901	522,644	87,137	64,785	151,922	674,566
Total salaries and related expenses	272,043	2,249,335	301,979	2,823,357	470,721	349,972	820,693	3,644,050
Custody account expense and filing fees	-	-	-	-	62,645	-	62,645	62,645
Telephone	1,629	28,784	1,279	31,692	3,153	2,025	5,178	36,870
Supplies	773	20,133	607	21,513	5,202	1,284	6,486	27,999
Printing and publications	286	30,361	88,404	119,051	3,108	8,395	11,503	130,554
Professional and consulting fees	13,646	249,972	50,886	314,504	26,410	12,782	39,192	353,696
Postage and shipping fees	645	16,960	21,487	39,092	2,964	7,849	10,813	49,905
Occupancy	36,692	459,683	28,812	525,187	71,010	34,368	105,378	630,565
Travel	1,359	39,137	1,067	41,563	5,426	5,222	10,648	52,211
Meetings, conferences and events	22,933	171,042	2,279	196,254	10,357	10,333	20,690	216,944
Computer system and maintenance	9,708	86,639	7,623	103,970	18,788	13,338	32,126	136,096
Local regions and chapters-at-large	-	319,066	-	319,066	-	345,496	345,496	664,562
Insurance	3,841	34,276	3,016	41,133	7,433	3,597	11,030	52,163
Equipment lease expense	4,132	55,042	3,245	62,419	7,997	3,870	11,867	74,286
Legal fees	-	-	-	-	121,627	-	121,627	121,627
Bad debt	-	-	-	-	5,818	-	5,818	5,818
Depreciation	696	6,211	547	7,454	1,347	652	1,999	9,453
Royalty fees	12,517	111,707	9,828	134,052	24,224	11,724	35,948	170,000
Miscellaneous expenses	805	14,907	2,313	18,025	2,484	754	3,238	21,263
Unrelated business income tax	-	-	-	-	114,751	-	114,751	114,751
Subtotal	381,705	3,893,255	523,372	4,798,332	965,465	811,661	1,777,126	6,575,458
Overseas and domestic program grants	6,759,668	-	-	6,759,668	-	-	-	6,759,668
Total expenses	$ 7,141,373	$ 3,893,255	$ 523,372	$ 11,558,000	$ 965,465	$ 811,661	$ 1,777,126	$ 13,335,126

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities	
Change in net assets	$ (1,625,768)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	9,453
Net realized and unrealized gain on investments	567,152
Net realized and unrealized gain on beneficial interests in perpetual trusts held by third parties	95,393
Change in value of split-interest agreements	(52,242)
Bad debt expense	5,822
Change in present value of contributions receivable	(59,001)
Pension and other retirement benefits other than net periodic costs	913,355
Gain on sale of property	(214,344)
Changes in assets and liabilities	
Restricted cash	(584,364)
Contributions receivable, Anieres Program	1,871,049
Contributions receivable, other	464,162
Due from WAOF	408,442
Due from World ORT	29,067
Prepaid expenses and other assets	359,944
Beneficial interests in perpetual trusts held by third parties	83,550
Accounts payable and accrued expenses	(1,072,067)
Accrued pension payable	(133,016)
Accrued postretirement benefit costs	(58,796)
Employees' severance payable	(78,624)
Grants payable, World ORT, Anieres Program	(1,871,049)
Grants payable, World ORT	219,525
Grants payable, other	(93,050)
Deferred revenue	583,590
Deferred rent payable	36,268
Net cash used in operating activities	(195,549)
Cash flows from investing activities	
Purchases of investments	(1,332,079)
Purchase of property and equipment	(8,602)
Proceeds from sale of property and equipment	280,780
Proceeds from sale of investments	1,181,618
Net cash provided by investing activities	121,717
Cash flows from financing activities	
Split-interest agreement obligation payments	(156,994)
Net decrease in cash and cash equivalents	(230,826)
Cash and cash equivalents, beginning of year	3,473,650
Cash and cash equivalents, end of year	$ 3,242,824

See notes to financial statements.

1 - NATURE OF ORGANIZATION

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

ORT is funded primarily by contributions from the general public.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958, "Not-for-Profit Entities," as amended by Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities". The Organization adopted ASU 2016-14 for the year ended December 31, 2018. There have been no reclassifications in the accompanying financial statements as a result of this adoption.

Under ASC 958, the Organization's net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions into the following categories:

Without Donor Restriction: Net assets available for use in general operations and not subject to donor-imposed stipulation.

With Donor Restriction: Net assets subject to donor-imposed restrictions. Some restrictions are temporary in nature and may or will be met, either by action of the Organization and/or the passage of time.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from donor restrictions. Contributions with donor restrictions received and expended in the same fiscal year are included as revenues without donor restrictions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)
Other net assets are subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donor of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. 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.

Other major changes resulting from ASU 2016-14 include (a) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (c) presenting investment return net of external and direct internal investment expenses, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Real Estate Partnerships

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

Contributions and Contributions Receivable

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

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

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

Grant income is recorded as revenue when received.

Property and Equipment

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

Risks and Uncertainties

ORT's investments are concentrated in marketable securities including equities, money 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

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

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

Restricted Cash

Restricted cash includes an account established by the Organization for which the funds are not available for general operational purposes.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)
Program services are categorized as follows:

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

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

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

Supporting services are categorized as follows:

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

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

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

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

Subsequent Events
These financial statements were approved by management and available for issuance on October 10, 2019.

3 - CONTRIBUTIONS RECEIVABLE, ANIERES PROGRAM

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

Amounts due in	
Less than one year	$ 2,572,086
One to five years	3,680,000
	6,252,086
Discount on multi-year contributions receivable	(184,456)
Contributions receivable, Anieres Program, net	$ 6,067,630

4 - CONTRIBUTIONS RECEIVABLE, OTHER

ORT received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 2.3% to 3.1%. Outstanding contributions receivable were as follows as of December 31, 2018:

Amounts due in	
Less than one year	$ 1,739,044
One to five years	10,366,577
	12,105,621
Allowance for uncollectible contributions	(22,200)
Discount on multi-year contributions receivable	(22,544)
Contributions receivable, other, net	$ 12,060,877

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

Investments (including beneficial interests in perpetual trusts held by third parties) consist of the following as of December 31, 2018:

Money market funds	$ 262,523
Marketable equity securities	1,324,886
Mutual funds	2,118,983
Bonds	853,683
Pooled investment funds	6,680,030
State of Israel bonds	61,600
Investment in life insurance contracts	6,940
Total investments, at fair value	$ 11,308,645

Investment income (loss) consists of the following for the year ended December 31, 2018:

Interest, dividends and changes in annuity values	$ 185,066
Realized gain	209,208
Unrealized loss	(768,875)
Realized foreign currency translation loss	(109,347)
Unrealized foreign currency translation loss	(6,450)
Insurance royalties	6,335
Management fees	(49,312)
	$ (533,375)

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

6 - FAIR VALUE MEASUREMENT

The following table sets forth, by level, ORT's investments at fair value, within the fair value hierarchy, as of December 31, 2018:

		2018 Fair Value Measurement Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 262,523	$ 262,523	$ -	$ -
Bonds				
Corporate	389,552	-	389,552	-
Government agency	464,131	-	464,131	-
	853,683	-	853,683	-
Marketable equity securities				
Exchange-traded funds	748,769	748,769	-	-
Common stock	491,619	491,619	-	-
International equities	84,498	84,498	-	-
	1,324,886	1,324,886	-	-
Mutual funds				
International equities	133,286	133,286	-	-
Domestic large blend	72,923	72,923	-	-
Fixed income	1,847,875	1,847,875	-	-
Hedge funds	64,899	64,899	-	-
	2,118,983	2,118,983	-	-
Pooled investment funds	6,680,030	-	5,970,865	709,165
State of Israel bonds	61,600	-	61,600	-
Investment in life insurance contract	6,940	-	-	6,940
Total investments at fair value	$ 11,308,645	$ 3,706,392	$ 6,886,148	$ 716,105

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

6 - FAIR VALUE MEASUREMENT (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2018:

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

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

6 - FAIR VALUE MEASUREMENT (Continued)

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the year ended December 31, 2018:

	Investment in Life Insurance Contract	Pooled Investment Funds
Balance, beginning of year	$ 6,910	$ 799,567
Interest and dividends	30	-
Net realized loss	-	(12,346)
Net unrealized loss	-	(21,583)
Investment fees	-	(1,276)
Withdrawal of investments	-	(55,197)
Balance, end of year	$ 6,940	$ 709,165

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

7 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consist of the following:

Leasehold improvements	$ 50,973
Furniture and equipment	114,482
Property and equipment of branches, net	2,309
	167,764
Less - Accumulated depreciation	(142,402)
	$ 25,362

Depreciation expense was $9,453 for the year ended December 31, 2018 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
2019	$ 380,534	$ 218,913	$ 599,447
2020	390,952	216,277	607,229
2021	401,703	187,485	589,188
2022	412,750	89,763	502,513
2023	424,101	-	424,101
Thereafter	1,500,436	-	1,500,436
	$ 3,510,476	$ 712,438	$ 4,222,914

Occupancy expense was $630,565 for the year ended December 31, 2018.

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

The Organization leases office equipment for various terms under long-term, 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. Average monthly lease payments in the aggregate were $5,075 during the year ended December 31, 2018.

8 - LEASE COMMITMENTS (Continued)

The future minimum rental payment required under the operating lease agreement for office equipment is $229,610 as of December 31, 2018, to be paid through 2024.

Equipment lease expense (included in the statement of functional expenses) was $74,286 for the year ended December 31, 2018.

9 - ACCRUED PENSION PAYABLE

ORT administers three pension plans:

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

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

C. Defined Contribution Pension Plan: ORT established a defined contribution pension plan covering substantially all of its employees. Pension expense under this plan was $90,036 for the year ended December 31, 2018.

9 - ACCRUED PENSION PAYABLE (Continued)

The following table summarizes the benefit obligation, fair value of assets and the funded status for the year ended December 31, 2018:

	WAO	AOI
Benefit obligation	$ (5,975,842)	$ (8,892,006)
Fair value of plan assets	4,428,139	6,716,453
Funded status at end of year	$ (1,547,703)	$ (2,175,553)
Amounts recognized as liabilities in the statement of financial position	$ (1,547,703)	$ (2,175,553)
Amounts recognized as cumulative changes in pension other than net periodic costs		
Net loss	$ (3,559,788)	$ (6,081,531)
Cumulative employer contributions in excess of net periodic benefit cost	2,012,085	3,905,978
Net amount recognized	$ (1,547,703)	$ (2,175,553)
Components of net periodic benefit costs		
Interest cost	$ 205,682	$ 310,573
Expected return on assets	(366,175)	(548,552)
Amortization of net loss	132,549	236,089
Net periodic benefit cost	$ (27,944)	$ (1,890)

Changes in pension costs other than net periodic costs at December 31, 2018:

Net loss	$ 674,294	$ 683,691
Amortization of net loss	(132,549)	(236,089)
Net other than periodic benefits	$ 541,745	$ 447,602
Accumulated benefit obligation	$ 5,975,842	$ 8,892,006
Employer contributions	31,669	147,505
Benefits paid	430,543	587,255

Weighted average assumptions to determine benefit obligations at December 31, 2018:

	WAO	AOI
Discount rate	3.80%	3.80%
Rate of compensation increase	N/A	N/A

9 - ACCRUED PENSION PAYABLE (Continued)

Weighted average assumptions to determine net periodic cost at December 31, 2018:

	WAO	AOI
Discount rate	3.42%	3.42%
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
2019	$ 522,119	$ 788,148
2020	511,443	768,937
2021	496,135	743,671
2022	482,254	713,413
2023	475,809	685,634
2024 - 2028	2,110,137	3,092,952

ORT expects to contribute $141,374 for WAO and $140,332 for AOI in 2019.

9 - ACCRUED PENSION PAYABLE (Continued)

The fair value of the plans' investments at December 31, 2018 by asset category, are as follows:

	Fair Value Using Quoted Prices in Active Markets for Identical Assets			
	WAO		AOI	
	2018	% 2018	2018	% 2018
Cash equivalents	$ 40,804	0.9%	$ 93,279	1.4%
Mutual funds				
Small cap	133,586	3.0	201,432	3.0
Mid cap	238,188	5.4	355,593	5.3
Large value	1,628,088	36.8	2,371,690	35.3
International	869,629	19.6	1,364,205	20.3
Fixed income	1,131,683	25.6	1,758,506	26.2
Emerging markets	71,433	1.6	110,469	1.6
Real estate	314,728	7.1	461,279	6.9
	4,387,335	99.1	6,623,174	98.6
	$ 4,428,139	100.0%	$ 6,716,453	100.0%

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

The WAO plan consists of $865,603 level 1 investments and $3,521,732 of investments utilizing, as a practical expedient, the net asset value provided by the fund manager. The AOI plan consists of $1,319,313 level 1 investments and $5,312,861 of investments utilizing, as a practical expedient, the net asset value provided by the fund manager.

10 - POSTRETIREMENT BENEFIT COSTS

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

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

The following table sets forth the plan's combined unfunded status and amounts recognized in the statement of financial position as of December 31, 2018:

Benefit obligation	$	(393,956)
Fair value of plan assets		-
Funded status at end of year	$	(393,956)
Amount recognized as liability in the statement of financial position	$	(393,956)
Components of net periodic benefit cost		
Interest cost	$	14,460
Amortization of transition obligation		24,205
Amortization of actuarial loss		-
Net periodic benefit cost	$	38,665
Changes in pension costs other than net periodic costs		
Actuarial gain	$	(51,787)
Amortization of transition obligation		(24,205)
Amortization of actuarial loss		-
Net other than periodic benefit	$	(75,992)
Employer contributions	$	22,949
Plan participants' contributions		1,200
Benefits paid		(24,149)

Weighted-average assumptions to determine benefit obligations at December 31, 2018:

Discount rate	4.00%

Weighted-average assumptions to determine net periodic benefit cost for the year ended December 31, 2018:

Discount rate	3.34%

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

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

Year Ending December 31,	
2019	$ 50,710
2020	41,590
2021	38,248
2022	35,329
2023	32,749
2024 - 2028	132,619

ORT expects to contribute $50,710 to the plan in 2019.

The assumed health care trend rate at December 31, 2018 is as follows:

Health care cost trend rate assumed for next year	7.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.78%
Year that the rate reaches the ultimate trend rate	2075

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

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 50	$ (48)
Effect on postretirement benefit obligation	1,241	(1,181)

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, 2018 was $130,536.

12 - SPLIT-INTEREST AGREEMENTS OBLIGATIONS

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

At the time of the gift, and adjusted annually, the Organization records contribution revenue and a liability for amounts payable to beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities. The discount rates used in the calculation range from 1.2% to 9.4%.

The financial statements include various split-interest agreements as of December 31, 2018, as follows:

Statement of activities		
Contributions	$	66,177
Change in value of split-interest agreements		52,242
Statement of financial position		
Investments		2,503,276
Liabilities under split-interest agreements		1,679,743

Management has determined the asset balance at December 31, 2018 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Organization issues gift annuities. Reserves are included in liabilities under split-interest agreement obligations on the accompanying statement of financial position.

13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 are available for educational assistance and scholarships.

During the year ended December 31, 2018, 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 - LOCAL REGIONS AND CHAPTERS-AT-LARGE

Assets and liabilities of local regions and chapters-at-large are presented in the statement of financial position as of December 31, 2018 in the following classifications:

Assets	
Cash and cash equivalents	$ 363,183
Property and equipment, net	2,309
Prepaid expenses and other assets	32,394
	$ 397,886
Liabilities	
Accounts payable and accrued expenses	$ 147,271

Not included in the above accounts payable and accrued expenses are the payroll reimbursements payable by the local regions and chapters-at-large to the national office of $15,785 which was eliminated against the receivables reported by the national office as of December 31, 2018.

Local regions and chapters-at-large expenses are reported on the statement of functional expenses, and consist of the following for the year ended December 31, 2018:

Salaries and related benefits	$ 376,420
Occupancy	125,152
Office expense	139,167
Other	23,823
	$ 664,562

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS

The Endowment: The Organization's endowment consists of approximately 24 individual special-purpose funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

Spending Policy and How Investment Objectives Relate to Spending Policy: Expenditures from the board-designated net assets are released as approved by the Organization's Board of Directors. The earnings on the net assets held in perpetuity are released from restricted funds and are used in accordance with donor stipulations, as described in Note 13.

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS (Continued)

The Organization's endowment net assets had the following activity for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	$ 545,239	$ 9,506,520	$ 10,051,759
Investment return			
Investment income	2,487	48,305	50,792
Investment fee	(1,177)	(22,853)	(24,030)
Net change in asset value (realized and unrealized)	(12,522)	(243,235)	(255,757)
Total investment return	(11,212)	(217,783)	(228,995)
Contributions	16,951	545,750	562,701
Appropriation of endowment assets for expenditure	(14,988)	(133,795)	(148,783)
Changes in net assets	(9,249)	194,172	184,923
Endowment net assets, December 31, 2018	$ 535,990	$ 9,700,692	$ 10,236,682

16 - GRANTS PAYABLE, WORLD ORT

As of December 31, 2018, the Organization has received $1,564,100 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 $5,967,922 (stated at net present value) to be received from a donor for the Anieres Program will be transferred to World ORT when collected.

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 three percent royalty fee based on all gross donations received by ORT in the United States of America, with the annual royalty fee not to exceed $170,000 and not to be less than $84,000. The term of the license agreement is for ninety-nine years, unless terminated earlier by either party as stipulated in the agreement. ORT recognized $170,000 of royalty fees in the year ended December 31, 2018.

ORT charges WAOF for its share in certain audit and accounting services. For the year ended December 31, 2018, WAOF's allocated share is $28,400.

ORT received $178,631 in contributions from WAOF for the year ended December 31, 2018.

ORT is due $462,551 from World ORT in relation to settlement reimbursements and other amounts as of December 31, 2018.

18 - LIQUIDITY

Financial assets consist of the Organization's cash and cash equivalents, investments and net pledges receivable. The following represents the Organization's financial assets as of December 31, 2018, reduced by an amount not available for general use within one year of December 31, 2018 because of contractual or donor-imposed restrictions:

Cash and cash equivalents	$ 3,242,824
Restricted cash	584,364
Investments, at fair value	9,904,574
Investments in real estate partnerships, at cost	352,462
Contributions receivable, net	18,128,507
Due from WAOF	491,618
Due from World ORT	462,551
Beneficial interest in perpetual trust held by third parties	1,404,071
Total financial assets as of December 31, 2018	34,570,971
Less - Those unavailable for general expenditures within one year due to contractual, board, or donor-imposed restrictions	(27,057,032)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,513,939

As part of the Organization's liquidity management, the Organization 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.