ORT America, Inc. and Women's American ORT Foundation

Consolidated Financial Report
December 31, 2012

Contents

McGladrey

Independent Auditor's Report

Boards of Directors
ORT America, Inc. and
Women's American ORT Foundation
New York, New York

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of ORT America, Inc. ("OAI") and Women's American ORT Foundation ("WAOF") (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, changes in unrestricted net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 constituting 2 percent of consolidated total assets at December 31, 2012, and total revenues constituting 5 percent of consolidated total revenues for the year then ended. Some of those statements were audited by other auditors, whose reports has 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 consolidated financial statements are free of material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2012 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.

Report on Summarized Comparative Information
We have previously audited the Organization's 2011 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of OAI and WAOF, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

New York, New York
December 22, 2014

ORT America, Inc. and Women's American ORT Foundation

Consolidated Statement of Financial Position
December 31, 2012
(with summarized comparative financial information as of December 31, 2011)

Assets	**2012**	2011
Cash and Cash Equivalents	**$ 3,824,136**	$ 3,091,466
Investments	**22,949,018**	21,533,166
Contributions Receivable	**4,375,326**	3,087,301
Accounts and Other Receivables	**10,487**	120,840
Prepaid Expenses and Other Assets	**318,105**	280,626
Beneficial Interest in Perpetual Trust Held by Third Parties	**289,320**	-
Property and Equipment, net	**238,391**	286,544
Total assets	**$ 32,004,783**	$ 28,399,943
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,313,306**	$ 1,544,739
Accrued pension payable	**6,016,415**	6,645,331
Accrued postretirement benefit costs	**497,918**	495,901
Employees' severance payable	**295,905**	375,765
Commitments payable, World ORT	**1,144,025**	863,781
Split-interest agreement obligations	**2,020,420**	2,086,374
Total liabilities	**11,287,989**	12,011,891
Commitments and Contingencies		
Net Assets (Deficiency):		
Unrestricted (deficiency)	**3,255,229**	(468,355)
Temporarily restricted	**9,490,056**	9,374,218
Permanently restricted	**7,971,509**	7,482,189
Total net assets	**20,716,794**	16,388,052
Total liabilities and net assets	**$ 32,004,783**	$ 28,399,943

See Notes to Consolidated Financial Statements.

ORT America, Inc. and Women's American ORT Foundation

Consolidated Statement of Activities
Year Ended December 31, 2012
(with summarized comparative financial information for the year ended December 31, 2011)

	2012				2011
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Summarized Comparative Information Total
Revenues, Gains and Other Support:					
Contributions	$ 9,086,447	$ 935,159	$ 289,320	$ 10,310,926	$ 11,981,642
Grant allocations	2,625,168	-	-	2,625,168	2,625,168
International cooperation programs	312,343	-	-	312,343	189,041
Membership dues	7,754	-	-	7,754	342,627
Legacies	6,613,540	284,785	200,000	7,098,325	3,583,682
Investment income (loss)	700,859	1,066,990	-	1,767,849	(364,653)
Change in value of split-interest agreements	-	(151,803)	-	(151,803)	(286,498)
Special events	131,446			131,446	13,272
Rental and other income	191,129	-	-	191,129	135,943
Net assets released from restrictions	2,019,293	(2,019,293)	-	-	-
Total revenues, gains and other support	21,687,979	115,838	489,320	22,293,137	18,220,224
Expenses:					
Program services:					
ORT schools and grants	8,487,775	-	-	8,487,775	9,799,767
ORT resource center	-	-	-	-	204,197
National activities	1,543,253	-	-	1,543,253	1,528,744
Communications and marketing	600,858	-	-	600,858	573,453
Total program services	10,631,886	-	-	10,631,886	12,106,161
Supporting services:					
Management and general	2,618,300	-	-	2,618,300	2,655,089
Fund-raising	3,943,429	-	-	3,943,429	4,062,277
Total supporting services	6,561,729	-	-	6,561,729	6,717,366
Total expenses before other items	17,193,615	-	-	17,193,615	18,823,527
Change in net assets before other items	4,494,364	115,838	489,320	5,099,522	(603,303)
Other items:					
Pension and Other Postretirement-Related Charges Other Than Net Periodic Costs	(412,787)	-	-	(412,787)	(2,673,985)
Transfer of Hermelin Resource Center	(357,993)	-	-	(357,993)	-
Changes in net assets	3,723,584	115,838	489,320	4,328,742	(3,277,288)
Net Assets (Deficiency):					
Beginning	(468,355)	9,374,218	7,482,189	16,388,052	19,665,340
Ending	$ 3,255,229	$ 9,490,056	$ 7,971,509	$ 20,716,794	$ 16,388,052

See Notes to Consolidated Financial Statements.

ORT America, Inc. and Women's American ORT Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2012
(with summarized comparative financial information for the year ended December 31, 2011)

	2012									2011
		Program Services				Supporting Services				Summarized Comparative Information
	ORT Schools and Grants	ORT Resource Center	National Activities	Communications and Marketing	Total	Management and General	Fund-Raising	Total	Total	Total
Salaries	$ 219,152	$ -	$ 460,253	$ 204,520	$ 883,925	$ 791,808	$ 1,649,794	$ 2,441,602	$ 3,325,527	$ 3,044,625
Payroll taxes and employee benefits	82,907	-	174,117	77,371	334,395	299,549	624,130	923,679	1,258,074	1,234,448
Total salaries and related expenses	302,059	-	634,370	281,891	1,218,320	1,091,357	2,273,924	3,365,281	4,583,601	4,279,073
		-								
Custody account expense and filing fees	-	-	-	-	-	11,849	-	11,849	11,849	36,702
Telephone	3,820	-	8,023	3,565	15,408	13,802	28,758	42,560	57,968	73,854
Supplies	3,295	-	6,919	3,075	13,289	11,904	24,802	36,706	49,995	29,773
Printing and publications	32,855	-	69,000	30,661	132,516	118,707	247,335	366,042	498,558	453,057
Professional and consulting fees	35,955	-	75,510	33,554	145,019	188,906	270,669	459,575	604,594	205,975
Postage and shipping fees	5,093	-	10,697	4,753	20,543	18,402	38,342	56,744	77,287	107,887
Occupancy	41,376	-	86,896	38,614	166,886	149,494	311,483	460,977	627,863	622,929
Travel	5,073	-	10,654	4,734	20,461	18,331	38,191	56,522	76,983	134,384
Meetings, conferences and events	22,650	-	47,568	21,138	91,356	81,835	170,510	252,345	343,701	280,560
Computer system and maintenance	5,644	-	11,854	5,267	22,765	20,394	42,491	62,885	85,650	94,900
Local regions and chapters-at-large	40,686	-	552,640	160,222	753,548	-	392,533	392,533	1,146,081	1,781,750
Insurance	2,825	-	5,933	2,636	11,394	10,207	21,266	31,473	42,867	92,730
Equipment rentals and purchases	5,524	-	11,601	5,599	22,724	19,515	41,586	61,101	83,825	134,466
Legal fees	-	-	-	-	-	776,848	-	776,848	776,848	305,120
Bad debt	-	-	-	-	-	50,920	-	50,920	50,920	733,670
Depreciation and amortization	2,232	-	4,688	2,083	9,003	8,067	16,806	24,873	33,876	53,986
Miscellaneous expenses	3,285	-	6,900	3,066	13,251	11,870	24,733	36,603	49,854	62,379
Unrelated business income tax	-	-	-	-	-	15,892	-	15,892	15,892	42,383
Interest expense	-	-	-	-	-	-	-	-	-	11,184
Subtotal	512,372	-	1,543,253	600,858	2,656,483	2,618,300	3,943,429	6,561,729	9,218,212	9,536,762
Overseas and domestic program remittances	7,975,403	-	-	-	7,975,403	-	-	-	7,975,403	9,286,765
Total expenses - 2012	$ 8,487,775	$ -	$ 1,543,253	$ 600,858	$ 10,631,886	$ 2,618,300	$ 3,943,429	$ 6,561,729	$ 17,193,615	
Total expenses - 2011	$ 9,799,767	$ 204,197	$ 1,528,744	$ 573,453	$ 12,106,161	$ 2,655,089	$ 4,062,277	$ 6,717,366		$ 18,823,527

See Notes to Consolidated Financial Statements.

ORT America, Inc. and Women's American ORT Foundation

Consolidated Statement of Cash Flows
Years Ended December 31, 2012
(With summarized comparative financial information for the year ended December 31, 2011)

	2012	2011
Cash Flows From Operating Activities		
Changes in net assets	**$ 4,328,742**	$ (3,277,288)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	**33,876**	53,986
Net realized and unrealized (gain) loss on investments	**(1,327,314)**	996,943
Change in value of split-interest agreements	**151,803**	286,498
Change in value of life insurance policy	**(34,885)**	13,086
Change in net present value of receivables	**102,508**	(31,654)
Bad debt expense	**50,920**	161,834
Loss on disposal of assets	**17,900**	3,558
Beneficial interest in perpetual trust	**(289,320)**	-
Contributions from split interest agreements	**(27,070)**	(195,107)
Changes in operating assets and liabilities:		
Contributions receivable	**(1,442,454)**	(833,204)
Accounts and other receivables	**111,354**	22,600
Prepaid expenses and other assets	**(37,479)**	46,967
Accounts payable and accrued expenses	**(231,433)**	312,311
Accrued pension payable	**(628,916)**	1,734,761
Accrued postretirement benefit costs	**2,017**	12,934
Employees' severance payable	**(79,860)**	(8,297)
Commitments payable, World ORT	**280,244**	505,312
Net cash provided by (used in) operating activities	**980,633**	(194,760)
Cash Flows From Investing Activities		
Purchases of property and equipment	**(3,623)**	(96,613)
Purchases of investments	**(15,091,206)**	(14,270,213)
Proceeds from sale of investments	**15,037,553**	14,653,777
Net cash (used in) provided by investing activities	**(57,276)**	286,951
Cash Flows From Financing Activities		
Loan payment	**-**	(532,035)
Contributions subject to split-interest agreements	**162,161**	43,656
Split-interest agreements obligation payments	**(352,848)**	(286,938)
Net cash provided by (used in) financing activities	**(190,687)**	(775,317)
Net increase (decrease) in cash and cash equivalents	**732,670**	(683,126)
Cash and Cash Equivalents:		
Beginning	**3,091,466**	3,774,592
Ending	**$ 3,824,136**	$ 3,091,466
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Income taxes	**$ 3,000**	$ 42,383
Interest on loans	**$ -**	$ 11,184

See Notes to Consolidated Financial Statements.

Note 1. Nature of Organization

ORT America, Inc. ("OAI") and Women's American ORT Foundation ("WAOF") (collectively, "ORT" or the "Organization"), were incorporated in New York in 1969. OAI has the authority to select board members of WAOF; however, each board member has a fiduciary duty to act in the interest of the organization he or she is representing, even if that is not in the interest of the other organization. ORT comprises one of the largest nongovernmental education and training organizations in the world, which raises funds for a network of ORT schools and programs in the United States and around the world. ORT's worldwide operations help more than 300,000 students and beneficiaries of the programs each year in Israel, Latin America, the former Soviet Union and other countries. In the United States, over 20,000 students and beneficiaries of the programs are served by Bramson ORT College in New York, Zarem/Golde ORT Technical College in Chicago and the Los Angeles ORT Technical College. 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.

OAI and WAOF are funded primarily by contributions from the general public.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying consolidated financial statements include the accounts and activities of OAI and WAOF. All intercompany accounts and transactions between these entities have been eliminated. The consolidated 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.

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses 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: For financial reporting purposes, OAI and WAOF consider 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 OAI and WAOF's long-term investment strategy.

Investments and Investment Income: Investments in securities are primarily stated at fair value, which is based upon quoted market value (see Note 4). Investments held in the United Jewish Endowment Fund investment pool are reported at fair value or net asset value provided by the fund manager based upon the underlying net assets of the funds.

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

Net investment income is recorded in unrestricted net assets, except for that portion of investment income derived from permanently restricted net assets, which is to be used in accordance with donor restrictions and which is therefore recorded in temporarily restricted net assets. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned.

Contributions and Contributions Receivable: Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted contributions received and expended in the same fiscal year are included as unrestricted revenues. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate, applicable to the years in which the promises are received. Amortization of the discounts 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 is included in the consolidated statement of financial position as part of contributions receivable.

Grant allocations are recorded as revenue at the time the Organization received notification by an unrelated third party that grant funds have been approved for disbursement to the Organization. The related receivables are included in the consolidated statement of financial position as part of contributions receivable.

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 over three to five years, while leasehold improvements are amortized over the remaining terms of the leases which range from seven to ten years.

Risks and Uncertainties: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in various recognized financial institutions that exceeded the Federal Deposit Insurance Corporation coverage limit. The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization's investments are concentrated in an investment pool of the United Jewish Endowment Fund managed by the fund manager. As of December 31, 2012, approximately 70% of the Organization's investments are held in this investment pool. Other individual marketable securities include equities, money funds and corporate and government debt as well as mutual funds that invest in various types of debt and equity securities. Such investments are subject to various risks including liquidity, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Net Asset Classifications:

- *Permanently Restricted:* Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The income and net capital appreciation earned on related investments either is directed to specific purposes by donors or, in the absence of a donor restriction, may be used at the board of directors' discretion. Consistent with the terms of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), those earnings will be classified as temporarily restricted in the accompanying consolidated statement of activities, pending appropriation by the board of directors.

Note 2. Summary of Significant Accounting Policies (Continued)

- *Temporarily Restricted:* Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors to specific purposes, including educational assistance and scholarships. Net assets released from restrictions represent the satisfaction of the time and purposes specified by the donor.

- *Unrestricted:* Unrestricted net assets are not subject to donor-imposed stipulation, although the use of such net assets may be limited by other factors, such as specified use designation by the board of directors or a designated committee of the board.

<u>Fair Value Measurements</u>: The Organization follows the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are measured and reported on a fair value basis. FASB ASC 820 sets out 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). The three levels of the fair value hierarchy are described as follows:

<u>Level 1</u>: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Organization have the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities and mutual funds.

<u>Level 2</u>: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include certain debt securities and less liquid securities, such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

<u>Level 3</u>: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The Organization assess the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

<u>Functional Allocation of Expenses</u>: The costs of providing the Organization's programs and supporting services have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, as determined by management.

Note 2. Summary of Significant Accounting Policies (Continued)

Endowment Funds: OAI and WAOF are subject to the provisions of ASC 958, which provides guidance on the net assets classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The State of New York's version of UPMIFA, NYPMIFA, was signed into law on September 17, 2010 with an immediate effective date. ASC 958 also requires additional disclosures about endowments for all organizations (see Note 13).

Income Taxes: OAI and WAOF are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and from state income taxes. In addition, OAI and WAOF are not classified as private foundations. As required by the Internal Revenue Code, OAI and WAOF file separate Internal Revenue Service Forms 990 and other governmental filings. As not-for-profit organizations, OAI and WAOF are subject to taxes on unrelated business income ("UBIT"). For the years ended December 31, 2012 and 2011, OAI incurred UBIT of approximately $3,000 and $33,000, respectively, which are related to activities of certain investments. The taxes were calculated using applicable corporate tax rates.

Management evaluated OAI's and WAOF's tax positions and concluded that OAI and WAOF have taken no uncertain tax positions that require adjustment or disclosure to the financial statements. Generally, with few exceptions, OAI and WAOF are no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

Reclassification: For comparability, certain 2011 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2012. The reclassifications had no effect on previously reported results.

Recent Accounting Pronouncements: In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the ASC and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on the Organization's consolidated financial statements for subsequent periods has not yet been determined.

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. ASU 2012-05 has been adopted by the Organization. The adoption of this ASU did not have a material impact on the Organization's financial statements.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments in this update will generally be effective for fiscal periods beginning after June 15, 2014. The impact of adopting ASU 2013-06 on the Organization's consolidated financial statements for subsequent periods has not yet been determined.

Note 3. Contributions Receivable

OAI received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 1.08% to 5%. Outstanding contributions receivable were as follows as of December 31:

	2012	2011
Contributions due:		
In less than one year	**$ 3,663,857**	$ 2,963,128
In one to five years	**664,054**	247,402
In five of more years	**279,456**	-
	4,607,367	3,210,530
Allowance for uncollectible contributions	**(88,796)**	(82,492)
Discount on multi-year contributions receivable	**(143,245)**	(40,737)
Contributions receivable, net	**$ 4,375,326**	$ 3,087,301

Note 4. Investments and Fair Value Measurement

Investments are composed of the following as of December 31:

	2012	2011
Money market funds	**$ 211,900**	$ 8,647,963
Marketable equity securities	**935,605**	7,151,943
Mutual funds	**2,962,771**	3,179,776
Bonds	**931,275**	1,029,073
Pooled investment fund	**16,401,927**	26,572
State of Israel bonds	**133,613**	143,963
Investment in life insurance contracts	**175,649**	157,598
Total investments, at fair value	**21,752,740**	20,336,888
Real estate partnerships, at cost	**1,196,278**	1,196,278
Total investments	**$ 22,949,018**	$ 21,533,166

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

	2012	2011
Interest, dividends and changes in annuity values	**$ 300,480**	$ 556,375
Realized loss	**938,390**	(840,701)
Real estate partnership income	**180,663**	177,883
Unrealized loss	**388,924**	(132,687)
Change in value of life insurance policy	**34,885**	(26,664)
Management fees	**(75,493)**	(98,859)
	$ 1,767,849	$ (364,653)

Note 4. Investments and Fair Value Measurement (Continued)

The following tables set forth, by level, OAI and WAOF's investments at fair value, within the fair value hierarchy, as of December 31:

Description	Total	2012 Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 211,900	$ 211,900	$ -	$ -
Bonds:				
Corporate	209,380	-	209,380	-
Government agency	721,895	-	721,895	-
	931,275	-	931,275	-
Marketable equity securities:				
Exchange-traded funds	704,261	704,261	-	-
Common stock	129,952	129,952	-	-
International equities	101,392	101,392	-	
	935,605	935,605	-	-
Mutual funds:				
International equities	240,603	240,603	-	-
Domestic large blend	146,795	146,795	-	-
International large blend	443,376	443,376	-	-
Domestic small cap	71,385	71,385		
Fixed income	2,060,612	2,060,612	-	-
	2,962,771	2,962,771	-	-
Pooled investment fund	16,401,927	-	27,431	16,374,496
State of Israel bonds	133,613	-	133,613	-
Investment in life insurance contracts	175,649	-	-	175,649
Total Investments at fair value	$ 21,752,740	$ 4,110,276	$ 1,092,319	$ 16,550,145

Note 4. Investments and Fair Value Measurement (Continued)

		2011 Fair Value Measurements 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	$ 8,647,963	$ 8,647,963	$ -	$ -
Bonds:				
Corporate	962,769	-	962,769	-
Government agency	66,304	-	66,304	-
	1,029,073	-	1,029,073	-
Marketable equity securities:				
Exchange-traded funds	636,098	636,098	-	-
Strategic value	3,056,226	3,056,226	-	-
Strategic growth	3,198,290	3,198,290	-	-
Common stock	154,426	154,426	-	-
International equities	106,903	106,903	-	-
	7,151,943	7,151,943	-	-
Mutual funds:				
International equities	727	727	-	-
Domestic large blend	700,181	700,181	-	-
International large blend	403,359	403,359	-	-
Fixed income	2,075,509	2,075,509	-	-
	3,179,776	3,179,776	-	-
Pooled investment fund	26,572	-	26,572	-
State of Israel bonds	143,963	-	143,963	-
Investment in life insurance contracts	157,598	-	-	157,598
Total Investments at fair value	$ 20,336,888	$ 18,979,682	$ 1,199,608	$ 157,598

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.

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

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

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

Note 4. Investments and Fair Value Measurement (Continued)

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 investment 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 amount 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 investments in investment pool generally represents the amount OAI and WAOF 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 pool in the United Jewish Endowment Fund as a Level 3 fair value measurement because there may be a variety of circumstances in which the United Jewish Endowment Fund, in its discretion, may delay the remittance of funds to the Organization after a withdrawal written notice is received from the Organization. There is a possibility that the Organization would not be able to redeem its investments within 90 days from the date of redemption request.

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

	2012	
	Investments in Life Insurance Contracts	**Investment Pool**
Balance, beginning of year	**$ 157,598**	**$ -**
Change in value	**34,885**	**-**
Termination of life insurance policy contracts	**(16,834)**	**-**
Purchase of investments	**-**	**15,433,855**
Interest and dividends	**-**	**157,372**
Net realized gains	**-**	**424,778**
Net unrealized gains	**-**	**420,844**
Investment fees	**-**	**(62,353)**
Balance, end of year	**$ 175,649**	**$ 16,374,496**

	2011
	Investments in Life Insurance Contracts
Balance, beginning of year	$ 184,262
Change in value	(26,664)
Balance, end of year	$ 157,598

Note 5. Property and Equipment

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

	2012	2011
Leasehold improvements	**$ 32,348**	$ 32,348
Furniture and equipment	**285,972**	432,874
Property and equipment of branches	**150,156**	154,838
	468,476	620,060
Less accumulated depreciation and amortization	**230,085**	333,516
	$ 238,391	$ 286,544

Depreciation and amortization amounted to $33,876 and $53,986 for the years ended December 31, 2012 and 2011, respectively. Included in net property and equipment of the branches are two buildings whose fair market value exceeds net book value.

The Organization disposed of $155,206 in property and equipment during 2012, which resulted in a loss of $17,900. In 2011, the Organization disposed of $366,288 in property and equipment at a loss of $3,558.

Note 6. Lease Commitments

OAI has entered into a lease agreement to rent office space located at 75 Maiden Lane in New York, New York, which expires on January 31, 2017. In addition, several of the regional and chapter offices are also subject to operating leases. OAI has also entered into a sublease agreement, effective March 1, 2011, for a portion of its New York office space, expiring on May 31, 2016. Minimum rental payments under the sublease agreement are $8,067 per month at the commencement of the lease term, with stated increases on each anniversary date. The sublease agreement also requires the subtenant to pay a prorated share of enumerated tax, maintenance and utility charges.

Scheduled future minimum lease obligations under noncancelable operating leases, net of sublease income, are as follows:

Year Ending December 31,	New York Offices	Other Offices	Sublease Income	Total
2013	$ 383,580	$ 68,833	$ (98,816)	$ 353,597
2014	394,129	35,747	(101,287)	328,589
2015	404,967	-	(103,816)	301,151
2016	416,104	-	(106,415)	309,689
2017	35,305	-	(45,189)	(9,884)
	$ 1,634,085	$ 104,580	$ (455,523)	$ 1,283,142

Occupancy expense was $627,863 and $622,929 for the years ended December 31, 2012 and 2011, respectively.

For financial statement purposes, 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 reflected in the accompanying consolidated statement of financial position as part of the accounts payable and accrued expenses balance and amounted to $183,335 and $212,350 as of December 31, 2012 and 2011, respectively.

Note 6. Lease Commitments (Continued)

The Organization leases office equipment for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2013 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. Monthly lease payments in the aggregate were $4,803 during the years ended December 31, 2012 and 2011.

The future minimum rental payment required under the operating lease agreements for office equipment is $19,047 in 2013.

Equipment lease expense (included in the consolidated statement of functional expenses) was $75,568 and $51,503 for the years ended December 31, 2012 and 2011, respectively.

Note 7. Accrued Pension Payable

OAI administers three pension plans.

A. Defined Benefit Pension Plan - Women's American ORT, Inc.: OAI has a frozen defined benefit pension plan covering the former employees of Women's American ORT, Inc. ("WAO"), an entity that merged with OAI 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: OAI established a defined contribution pension plan covering substantially all of its employees. Pension expense under this plan was $102,399 and $110,490 for the years ended December 31, 2012 and 2011, respectively.

Note 7. 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, 2012 and 2011:

	2012		2011	
	WAO	**AOI**	WAO	AOI
Benefit Obligation	**$ (6,600,878)**	**$ (8,758,367)**	$ (6,502,847)	$ (8,052,310)
Fair Value of Plan Assets	**4,244,721**	**5,098,109**	3,684,664	4,225,162
Funded status at end of year	**$ (2,356,157)**	**$ (3,660,258)**	$ (2,818,183)	$ (3,827,148)
Amounts Recognized as Liabilities in the Consolidated Statement of Financial Position	**$ (2,356,157)**	**$ (3,660,258)**	$ (2,818,183)	$ (3,827,148)
Amounts Recognized as Cumulative Changes in Pension Other Than Net Periodic Costs:				
Net loss	**$ (3,021,327)**	**$ (5,171,182)**	$ (3,041,123)	$ (4,727,944)
Cumulative employer contributions in excess of net periodic benefit cost	**665,170**	**1,510,924**	222,940	900,796
Net amount recognized	**$ (2,356,157)**	**$ (3,660,258)**	$ (2,818,183)	$ (3,827,148)
Components of Net Periodic Benefit Cost:				
Interest Cost	**$ 274,926**	**$ 357,412**	$ 333,434	$ 404,563
Expected Return on Assets	**(279,928)**	**(327,612)**	(284,919)	(307,753)
Amortization Net Loss	**186,171**	**185,078**	83,841	104,204
Net periodic benefit cost	**$ 181,169**	**$ 214,878**	$ 132,356	$ 201,014
Changes in Pension Costs Other Than Net Periodic Costs:				
Net loss	**$ 166,375**	**$ 628,316**	$ 1,268,424	$ 1,599,594
Amortization of net loss	**(186,171)**	**(185,078)**	(83,841)	(104,204)
Net other than periodic cost	**$ (19,796)**	**$ 443,238**	$ 1,184,583	$ 1,495,390
Accumulated Benefit Obligation	**$ 6,600,878**	**$ 8,758,367**	$ 6,502,847	$ 8,052,310
Employer Contributions	**623,399**	**825,006**	459,760	818,822
Benefits Paid	**488,063**	**415,307**	475,655	201,014

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

	2012		2011	
	WAO	**AOI**	WAO	AOI
Discount Rate	**4.05%**	**4.05%**	4.50%	4.50%

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

	2012		2011	
	WAO	**AOI**	WAO	AOI
Discount rate	**4.50%**	**4.50%**	6.25%	6.25%
Expected return on plan assets	**7.50%**	**7.50%**	7.50%	7.50%
Rate of compensation increase	**N/A**	**N/A**	N/A	N/A

Note 7. Accrued Pension Payable (Continued)

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

Year Ending December 31,	WAO	AOI
2013	$ 498,731	$ 534,187
2014	508,238	557,473
2015	508,515	564,345
2016	501,899	596,437
2017	486,544	623,592
2018 - 2022	2,173,379	2,918,991

WAO expects to contribute $518,270 and AOI expects to contribute $831,977 in 2013.

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 investment policy states that the funds for both plans will be fully invested as follows:

Equity	46.5% - 66.5%
Debt	26.5% - 46.5%
Real estate	0% - 10.0%
Alternative	0% - 5.0%
Cash	0% - 20.0%

Note 7. Accrued Pension Payable (Continued)

The fair value of the plans' investments at December 31, 2012 and 2011 (all of which are Level 1 - see Note 2), by asset category, are as follows:

	Fair Value Using Quoted Prices in Active Markets for Identical Assets (All Level 1)			
	WAO		**AOI**	
	2012	**% 2012**	**2012**	**% 2012**
Cash equivalents	**$ 549,237**	**12.9%**	**$ 660,443**	**13.0%**
Marketable equity securities:				
Consumer discretionary	**137,889**	**3.2%**	**167,703**	**3.3%**
Consumer staples	**16,940**	**0.4%**	**20,592**	**0.4%**
Energy	**38,807**	**0.9%**	**47,010**	**0.9%**
Financials	**38,172**	**0.9%**	**46,417**	**0.9%**
Health care	**130,618**	**3.1%**	**158,297**	**3.1%**
Industrials	**20,083**	**0.5%**	**24,478**	**0.5%**
Information technology	**164,407**	**3.9%**	**198,932**	**3.9%**
	546,916		**663,429**	
Mutual funds:				
Small cap	**140,318**	**3.3%**	**163,962**	**3.2%**
Mid cap	**107,567**	**2.5%**	**125,440**	**2.5%**
Large value	**756,806**	**17.9%**	**868,121**	**17.0%**
International	**347,574**	**8.2%**	**404,208**	**7.9%**
Fixed income	**1,353,046**	**31.9%**	**1,695,792**	**33.2%**
Emerging markets	**357,573**	**8.4%**	**417,001**	**8.2%**
Real estate	**85,684**	**2.0%**	**99,713**	**2.0%**
	3,148,568		**3,774,237**	
	$ 4,244,721	**100.0%**	**$ 5,098,109**	**100.0%**

Note 7. Accrued Pension Payable (Continued)

	Fair Value Using Quoted Prices in Active Markets for Identical Assets (All Level 1)			
	WAO		AOI	
	2011	% 2011	2011	% 2011
Cash Equivalents	$ 56,428	1.5%	$ 94,327	2.2%
Mutual Funds				
Small-cap	151,425	4.1%	175,077	4.1%
Mid-cap	98,004	2.7%	111,614	2.6%
Large Value	656,424	17.8%	735,920	17.5%
International	297,167	8.1%	328,080	7.8%
Fixed Income	1,285,204	34.9%	1,475,810	34.9%
Emerging Markets	299,195	8.1%	347,580	8.2%
Real Estate	82,693	2.2%	93,874	2.2%
	2,870,112		3,267,955	
Equities				
Consumer Discretionary	128,163	3.5%	145,943	3.5%
Consumer Staples	52,253	1.4%	59,301	1.4%
Energy	66,835	1.8%	76,149	1.8%
Financials	75,564	2.1%	86,063	2.0%
Health Care	137,238	3.7%	155,627	3.7%
Industrials	46,795	1.3%	53,491	1.3%
Information Technology	251,276	6.8%	286,306	6.8%
	758,124		862,880	
	$ 3,684,664	100.0%	$ 4,225,162	100.0%

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

Mutual Funds

The fair value of mutual funds is based on quoted market prices.

Equity Securities

The fair value of equity securities is based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Note 8. Postretirement Benefit Costs

OAI has accrued for postretirement benefit costs of former AOI employees. Former AOI employees have a contributory postretirement medical and life insurance benefit plan which covers specified nonunion employees, and their spouses and dependents, who retire after the attainment of age 60 with 15 or more years of service. The following table sets forth the plan's combined unfunded status and amounts recognized in the consolidated statement of financial position as of December 31, 2012 and 2011:

	2012	2011
Benefit Obligation	**$ (497,918)**	$ (495,901)
Fair Value of Plan Assets	**-**	-
Funded status at end of year	**$ (497,918)**	$ (495,901)
Amounts Recognized as Liability in the Consolidated Statement of Financial Position	**$ (497,918)**	$ (495,901)
Components of Net Periodic Benefit Cost:		
Interest cost	**$ 21,434**	$ 28,799
Amortization of transition obligation	**24,205**	24,205
Net periodic benefit cost	**$ 45,639**	$ 53,004
Changes in Pension Costs Other Than Net Periodic Costs:		
Net loss	**$ 13,550**	$ 18,217
Transition obligation	**(24,205)**	(24,205)
Net other than periodic cost	**$ (10,655)**	$ (5,988)
Employer contributions	**32,967**	34,082
Plan participants' contributions	**3,600**	3,600
Benefits paid	**36,567**	37,682

Weighted average assumptions to determine benefit obligations at December 31:

	2012	2011
Discount Rate	**4.05%**	4.50%

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

	2012	2011
Discount Rate	**4.50%**	6.25%

Note 8. Postretirement Benefit Costs (Continued)

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

Year Ending December 31,		
2013	$	38,794
2014		37,520
2015		36,146
2016		37,238
2017		40,598
2018 - 2022		190,112

OAI expects to contribute $38,794 to the plan in 2013.

The assumed health care trend rates at December 31 are as follows:

	2012	2011
Health care cost rend rate assumed for next year	**7.25%**	7.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2019**	2019

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

	One-Percentage-Point Increase		One-Percentage-Point Decrease	
Effect on total of service and interest cost components	$	343	$	(313)
Effect on postretirement benefit obligation		6,519		(5,976)

Note 9. Employees' Severance Payable

OAI 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 current year's salary. On March 31, 2004, AOI froze severance benefits for employees. The severance liability as of December 31, 2012 and 2011 was $295,905 and $375,765, respectively.

Note 10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of December 31, 2012 and 2011 are available for educational assistance and scholarships.

During the years ended December 31, 2012 and 2011, temporarily restricted net assets were released from restrictions by satisfying the restricted purposes for education.

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

Note 10. Temporarily and Permanently Restricted Net Assets (Continued)

During the years ended December 31, 2012 and 2011, the OAI and WAOF boards of directors made a decision to defer making appropriations from most special purpose temporarily restricted funds. Management has subsequently completed a review of the composition of its endowment assets in order to determine a prudent spending rate and the appropriate implementation of the 2010 NYPMIFA guidelines.

Note 11. Split-Interest Agreements

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 statements of activities. The discount rates used in the calculation range from 1.2% to 10.0%.

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

	2012	**OAI**	**WAOF**
Statement of Activities:			
Contributions	**$ 50,620**	**$ 50,620**	**$ -**
Change in value of split-interest agreements	**151,803**	**159,834**	**(8,031)**
Statement of Financial Position:			
Investments	**3,282,656**	**2,749,460**	**533,196**
Liabilities under split-interest agreements	**2,020,420**	**1,741,856**	**278,564**

	2011	OAI	WAOF
Statement of Activities:			
Contributions	$ 186,370	$ 186,370	$ -
Change in value of split-interest agreements	(286,498)	(236,797)	(49,701)
Statement of Financial Position:			
Investments	3,510,720	2,746,169	764,551
Liabilities under split-interest agreements	2,086,374	1,783,994	302,380

Asset balances at December 31, 2012 and 2011 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 agreements on the accompanying consolidated statement of financial position.

Note 12. Local Regions and Chapters-at-Large

Assets and liabilities of local regions and chapters-at-large are presented in these consolidated financial statements as of December 31, 2012 and 2011 in the following classifications:

	2012	2011
Cash	$ 369,272	$ 494,926
Property and equipment, net	150,156	154,838
Prepaid expenses and other assets	43,344	70,442
	$ 562,772	$ 720,206
Accounts payable and accrued expenses	$ 153,279	$ 243,052

Local regions and chapters-at-large expenses are reported on the consolidated statements of functional expenses, and consist of the following for the years ended December 31:

	2012	2011
Salaries and related benefits	$ 404,870	$ 558,971
Occupancy	186,862	239,484
Office expense	153,068	217,452
Direct event cost	381,976	728,420
Other	19,305	37,423
	$ 1,146,081	$ 1,781,750

Note 13. Endowment and Board-Designated Funds

The Endowment: The Organization's endowment consists of approximately 170 individual special-purpose funds. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: NYPMIFA became law in September 2010. The board of directors will continue to adhere to NYPMIFA's requirement relating to 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.

Note 13. Endowment and Board-Designated Funds (Continued)

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 the Investment Objectives Relate to Spending Policy: Expenditures from the board-designated net assets are released as approved by the Organization's board of directors. The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations described in Note 10.

Endowment net asset composition by type of fund as of December 31, 2012 is as follows:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Donor-restricted funds	**$ (90,429)**	**$ 6,800,778**	**$ 7,482,189**	**$ 14,192,538**
Board-designated funds	**4,413,470**	**-**	**-**	**4,413,470**
	$ 4,323,041	**$ 6,800,778**	**$ 7,482,189**	**$ 18,606,008**

Endowment net asset composition by type of fund as of December 31, 2011 is as follows:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (163,160)	$ 5,820,566	$ 7,482,189	$ 13,139,595
Board-designated funds	4,037,164	-	-	4,037,164
	$ 3,874,004	$ 5,820,566	$ 7,482,189	$ 17,176,759

Note 13. Endowment and Board-Designated Funds (Continued)

The net asset classification and activities related to the Organization's endowment funds for the years ended December 31, 2012 and 2011 are summarized below:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset, December 31, 2010	$ 3,995,463	$ 6,114,953	$ 7,482,089	$ 17,592,505
Investment return:				
Investment income	147,572	414,732	-	562,304
Investment fee	(25,996)	(72,863)	-	(98,859)
Real estate partnership income	-	177,883	-	177,883
Change in value of life insurance policies	-	(27,426)	-	(27,426)
Net change in asset value (realized and unrealized)	(428,049)	(647,313)	-	(1,075,362)
Total investment return (loss)	(306,473)	(154,987)	-	(461,460)
Contributions	274,480	59,143	100	333,723
Appropriation for expenditure	(89,466)	(198,543)	-	(288,009)
Changes in net assets	(121,459)	(294,387)	100	(415,746)
Endowment net assets, December 31, 2011	3,874,004	5,820,566	7,482,189	17,176,759
Investment return:				
Investment income	44,526	115,519	-	160,045
Investment fee	(17,075)	(44,465)	-	(61,540)
Real estate partnership income	-	180,663	-	180,663
Change in value of life insurance policies	-	3,241	-	3,241
Net change in asset value (realized and unrealized)	378,416	689,140	-	1,067,556
Total investment return (loss)	405,867	944,098	-	1,349,965
Contributions	43,170	36,114	-	79,284
Changes in net assets	449,037	980,212	-	1,429,249
Endowment net assets, Decmeber 31, 2012	**$ 4,323,041**	**$ 6,800,778**	**$ 7,482,189**	**$ 18,606,008**

Funds with Deficiencies: Due to unfavorable market fluctuations from time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the historic dollar value of the donor's original, permanently restricted contribution. As of December 31, 2012 and 2011, the Organization had approximately $90,000 and $163,000, respectively, of funds with deficiencies.

Deficiencies of this nature would be reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss. Otherwise, such deficiencies are reported in unrestricted net assets and subsequent gains that restore the fair value of the endowment fund to the required level are classified as increases in net assets.

Note 14. Contingencies

On March 21, 2007, American ORT (hereafter ORT America, Inc.) filed a civil complaint against ORT Israel in the United States District Court for the Southern District of New York ("New York Lawsuit") requesting that the court enjoin ORT Israel from using the ORT trademark in the United States. In this lawsuit, ORT America, Inc. claimed federal statutory trademark infringement and related federal and New York State claims. On May 10, 2007, ORT Israel filed a counterclaim against ORT America, Inc. for unspecified damages claiming federal and common-law advertising violations and contract and equitable relief, including the cancellation of ORT America, Inc.'s federal trademark registration in the trademark "ORT."

In July 2009, ORT America, Inc. and ORT Israel agreed to settle the New York Lawsuit and ORT America, Inc. or its licensees can use the ORT mark for fund-raising in the United States, while ORT Israel will have to introduce itself under a different name. ORT Israel can raise money in the United States through Friends of Israel Sci-Tech Schools, another 501(c)(3) organization.

On January 22, 2008, ORT Israel filed an action in the District Court of Tel Aviv, Israel, ORT Israel versus World ORT and ORT America, Inc. ("Tel Aviv Lawsuit"), whereby ORT Israel seeks damages in the amount of approximately $4.6 million jointly and severally from each defendant. The action involves contract and implied contract claims. The case is still pending.

The final outcome of ORT Israel's Tel Aviv Lawsuit is uncertain. On the advice of its attorney, OAI management has concluded that some probable loss will result from this lawsuit and OAI has accrued approximately $450,000 on the basis that such loss, while still being contested by OAI, is probable.

Note 15. Concentrations of Labor Subject to Collective Bargaining Agreement

As of December 31, 2011, the Organization had a total of 58 employees with approximately 22% being represented by a bargaining unit. During 2012, a new bargaining union agreement was signed, which expires on July 31, 2015.

Note 16. Related Party

On August 11, 2011, WAOF entered into an endowment transfer agreement with OAI whereby the two organizations agreed that all rights, title and interest to certain endowment funds had been transferred from OAI to WAOF. It was further stipulated that WAOF agrees to abide by any restrictions or conditions that were imposed on any transferred endowments, whether imposed by the endowment grantor or otherwise. The agreement formalized previously recorded transfers between the two organizations and did not have an effect on the recording of entity funds.

Note 17. Commitment Payable, World ORT

As of December 31, 2012, the Organization owes World ORT $1,144,025 for the contributions that are restricted to World ORT (ORT's worldwide operations). Amounts received that are restricted to World ORT are deemed a commitment and paid to World ORT within 3 days.

Note 18. Subsequent Events

OAI and WAOF evaluate events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was December 22, 2014 for these consolidated financial statements.

Note 19. Transfer of Hermelin Resource Center

Effective January 1, 2012, OAI transferred the Hermelin Resource Center program to an unrelated third party. In addition to the transfer of the program provided, OAI also transferred cash, investments and fixed assets to the unrelated third party in order to operate the program.

ORT America, Inc. and Women's American ORT Foundation

Consolidating Statement of Financial Position
December 31, 2012

Assets	ORT America, Inc.	Women's American ORT Foundation	Eliminations	Total
Cash and Cash Equivalents	$ 3,815,397	$ 8,739	$ -	$ 3,824,136
Investments	10,433,920	12,515,098	-	22,949,018
Contributions Receivable	4,375,326	-	-	4,375,326
Due From WAOF	1,391,070	-	(1,391,070)	-
Accounts and Other Receivables	10,487	-	-	10,487
Prepaid Expenses and Other Assets	318,105	-	-	318,105
Beneficial Interest in Perpetual Trust	289,320	-	-	289,320
Property and Equipment, net	238,391	-	-	238,391
Copyright and Trade Name, less accumulated amortization	-	1,709,175	(1,709,175)	-
Total assets	$ 20,872,016	$ 14,233,012	$ (3,100,245)	$ 32,004,783
Liabilities and Net Assets				
Liabilities:				
Due to OAI	$ -	$ 1,391,070	$ (1,391,070)	$ -
Accounts payable and accrued expenses	1,312,412	894	-	1,313,306
Accrued pension payable	6,016,415	-	-	6,016,415
Accrued postretirement benefit costs	497,918	-	-	497,918
Employees' severance payable	295,905	-	-	295,905
Commitments payable, World ORT	1,144,025	-	-	1,144,025
Split-interest agreement obligations	1,741,856	278,564	-	2,020,420
Total liabilities	11,008,531	1,670,528	(1,391,070)	11,287,989
Commitments and Contingencies				
Net Assets:				
Unrestricted	222,277	4,742,127	(1,709,175)	3,255,229
Temporarily restricted	6,031,070	3,458,986	-	9,490,056
Permanently restricted	3,610,138	4,361,371	-	7,971,509
Total net assets	9,863,485	12,562,484	(1,709,175)	20,716,794
Total liabilities and net assets	$ 20,872,016	$ 14,233,012	$ (3,100,245)	$ 32,004,783

ORT America, Inc. and Women's American ORT Foundation

Consolidating Statement of Activities
Year Ended December 31, 2012

	ORT America, Inc.			Women's American ORT Foundation				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Eliminations**	**Total**
Revenues, Gains and Other Support:								
Contributions	$ 9,065,309	$ 929,045	$ 289,320	$ 21,138	$ 6,114	$ -	$ -	$ 10,310,926
Grant allocations	2,625,168	-	-	-	-	-	-	2,625,168
International cooperation programs	312,343	-	-	-	-	-	-	312,343
Membership dues	7,754	-	-	-	-	-	-	7,754
Legacies	6,381,609	284,785	200,000	231,931	-	-	-	7,098,325
Investment income	386,101	445,447	-	314,758	621,543	-	-	1,767,849
Change in value of split-interest agreements		(159,834)	-	-	8,031	-	-	(151,803)
Special events	131,446	-	-	-	-	-	-	131,446
Rental and other income	191,129	-	-	170,000	-	-	(170,000)	191,129
Net assets released from restrictions	2,019,293	(2,019,293)	-	-	-	-	-	-
Total revenues, gains and other support	21,120,152	(519,850)	489,320	737,827	635,688	-	(170,000)	22,293,137
Expenses:								
Program services:								
ORT schools and grants	8,487,775	-	-	-	-	-	-	8,487,775
ORT resource center	-	-	-	-	-	-	-	-
National activities	1,713,253	-	-	-	-	-	(170,000)	1,543,253
Communications and marketing	600,858	-	-	-	-	-	-	600,858
Total program services	10,801,886	-	-	-	-	-	(170,000)	10,631,886
Supporting services:								
Management and general	2,558,932	-	-	103,193	-	-	(43,825)	2,618,300
Fund-raising	3,943,429	-	-	-	-	-	-	3,943,429
Total supporting services	6,502,361	-	-	103,193	-	-	(43,825)	6,561,729
Total expenses before other items	17,304,247	-	-	103,193	-	-	(213,825)	17,193,615
Change in net assets before other items	3,815,905	(519,850)	489,320	634,634	635,688	-	43,825	5,099,522
Other items:								
Pension and Other Postretirement-Related Charges Other Than Net Periodic Costs	(412,787)	-	-	-	-	-	-	(412,787)
Transfer of Hermelin Resource Center	(357,993)	-	-	-	-	-	-	(357,993)
Changes in net assets	3,045,125	(519,850)	489,320	634,634	635,688	-	43,825	4,328,742
Net Assets (Deficiency):								
Beginning	(2,822,848)	6,550,920	3,120,818	4,107,493	2,823,298	4,361,371	(1,753,000)	16,388,052
Ending	$ 222,277	$ 6,031,070	$ 3,610,138	$ 4,742,127	$ 3,458,986	$ 4,361,371	$(1,709,175)	$ 20,716,794