ORT AMERICA, INC. AND
WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2013

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

ORT AMERICA, INC. AND
WOMEN'S AMERICAN ORT FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ORT America, Inc. and Women's American ORT Foundation

We have audited the accompanying consolidated financial statements of ORT America, Inc. and Women's American ORT Foundation (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses 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.

Auditors' 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 one percent of consolidated total assets at December 31, 2013, and total revenues constituting two percent of consolidated total revenues for the year then ended. Some of those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for local regions and chapters-at-large, is based solely on the report 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.

(Continued)

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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 Organization'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 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 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, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013, 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.

Correction of Errors

As described in Note 19 to the consolidated financial statements, the Organization's net assets as of January 1, 2013 have been restated due to a correction of errors in the prior year. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 27 and 28 is presented for purposes of additional analysis 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 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.

Friedman LLP

April 14, 2015

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS	
Cash and cash equivalents	$ 2,903,640
Investments, at fair value	23,615,715
Investments in real estate partnerships, at cost	450,231
Contributions receivable, net	
Anieres Program	12,142,857
Other	3,351,906
Prepaid expenses and other assets	268,986
Beneficial interest in perpetual trust held by third parties	307,876
Property and equipment, net	208,907
	$ 43,250,118
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 1,236,847
Accrued pension payable	3,805,057
Accrued postretirement benefit costs	487,854
Employees' severance payable	227,517
Grants payable - World ORT	
Anieres Program	12,142,857
Other	949,840
Split-interest agreement obligations	1,844,958
	20,694,930
Commitments and contingencies	
Net assets	
Unrestricted	3,094,973
Temporarily restricted	11,516,832
Permanently restricted	7,943,383
	22,555,188
	$ 43,250,118

See notes to consolidated financial statements.

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, public support and other support				
Contributions				
Anieres program	$ 13,608,417	$ -	$ -	$ 13,608,417
Other	6,315,230	722,129	6,475	7,043,834
Grant income	2,625,168	-	-	2,625,168
International cooperation programs	257,033	-	-	257,033
Membership dues	328,607	-	-	328,607
Legacies	2,700,223	-	-	2,700,223
Investment income	916,672	1,623,493	-	2,540,165
Income from real estate partnerships	-	207,416	-	207,416
Change in value of split-interest agreements	-	42,677	-	42,677
Special events	11,425	183,452	-	194,877
Miscellaneous	215,381	-	-	215,381
Net assets released from restrictions	1,109,181	(1,059,181)	(50,000)	-
Total revenue, public support and other support	28,087,337	1,719,986	(43,525)	29,763,798
Expenses				
Program services				
ORT schools and grants	21,260,448	-	-	21,260,448
National activities	941,066	-	-	941,066
Communications and marketing	418,176	-	-	418,176
Total program services	22,619,690	-	-	22,619,690
Supporting services				
Management and general	2,153,091	-	-	2,153,091
Fund-raising	3,373,282	-	-	3,373,282
Total supporting services	5,526,373	-	-	5,526,373
Total expenses before other items	28,146,063	-	-	28,146,063
Change in net assets before other items	(58,726)	1,719,986	(43,525)	1,617,735
Other items				
Pension and other postretirement-related charges other than net periodic costs	1,177,986	-	-	1,177,986
Change in net assets	1,119,260	1,719,986	(43,525)	2,795,721
Net assets				
Beginning of year, as restated (Note 19)	1,975,713	9,796,846	7,986,908	19,759,467
End of year	$ 3,094,973	$ 11,516,832	$ 7,943,383	$ 22,555,188

See notes to consolidated financial statements.

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program Services				Supporting Services			
	ORT Schools and Grants	National Activities	Communications and Marketing	Total	Management and General	Fund-Raising	Total	Total
Salaries	$ 168,766	$ 354,436	$ 157,499	$ 680,701	$ 609,763	$ 1,270,488	$ 1,880,251	$ 2,560,952
Payroll taxes and employee benefits	62,574	131,415	58,396	252,385	226,083	471,062	697,145	949,530
Total salaries and related expenses	231,340	485,851	215,895	933,086	835,846	1,741,550	2,577,396	3,510,482
Custody account expense and filing fees	-	-	-	-	19,596	-	19,596	19,596
Telephone	2,690	5,650	2,511	10,851	9,720	20,253	29,973	40,824
Supplies	1,519	3,193	1,419	6,131	5,493	11,445	16,938	23,069
Printing and publications	20,002	42,007	18,666	80,675	72,267	150,575	222,842	303,517
Professional and consulting fees	42,225	88,680	39,406	170,311	152,563	317,877	470,440	640,751
Postage and shipping fees	4,807	10,093	4,485	19,385	17,364	36,180	53,544	72,929
Occupancy	41,214	86,553	38,461	166,228	148,904	310,253	459,157	625,385
Travel	10,381	21,804	9,689	41,874	37,510	78,156	115,666	157,540
Meetings, conferences and events	26,844	56,375	25,051	108,270	96,986	202,078	299,064	407,334
Computer system and maintenance	9,159	19,236	8,548	36,943	33,094	68,953	102,047	138,990
Local regions and chapters-at-large	43,583	91,533	40,674	175,790	157,470	328,102	485,572	661,362
Insurance	5,366	11,268	5,007	21,641	19,385	40,390	59,775	81,416
Equipment rentals and purchases	5,337	11,208	4,981	21,526	19,282	40,176	59,458	80,984
Legal fees	-	-	-	-	449,190	-	449,190	449,190
Bad debt	-	-	-	-	22,460	-	22,460	22,460
Depreciation and amortization	2,162	4,542	2,018	8,722	7,813	16,280	24,093	32,815
Micellaneous expenses	1,464	3,073	1,365	5,902	5,286	11,014	16,300	22,202
Unrelated business income tax	-	-	-	-	42,862	-	42,862	42,862
Subtotal	448,093	941,066	418,176	1,807,335	2,153,091	3,373,282	5,526,373	7,333,708
Overseas and domestic program grants	20,812,355	-	-	20,812,355	-	-	-	20,812,355
Total expenses	$ 21,260,448	$ 941,066	$ 418,176	$ 22,619,690	$ 2,153,091	$ 3,373,282	$ 5,526,373	$ 28,146,063

See notes to consolidated financial statements.

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities	
Change in net assets	$ 2,795,721
Adjustments to reconcile change in net assets	
to net cash used in operating activities	
Depreciation and amortization	32,815
Net realized and unrealized gain on investments	(2,414,120)
Change in value of split-interest agreements	(42,677)
Bad debt expense	22,460
Provision for uncollectable accounts	17,744
Pension and other retirement charges other than net periodic costs	(1,177,986)
Changes in assets and liabilities	
Beneficial interest in perpetual trust held by third parties	(3,424)
Contributions receivable, Anieres Program	(12,142,857)
Contributions receivable, other	1,032,964
Accounts and other receivables	10,487
Prepaid expenses and other assets	3,261
Accounts payable and accrued expenses	(253,798)
Accrued pension payable	(1,033,372)
Accrued postretirement benefit costs	(10,064)
Employees' severance payable	(68,389)
Grants payable, World ORT, Anieres Program	12,142,857
Grants payable, World ORT	(194,184)
Net cash used in operating activities	(1,282,562)
Cash flows from investing activities	
Purchases of investments	(2,158,253)
Proceeds from sale of investments	2,677,076
Net cash provided by investing activities	518,823
Cash flows from financing activities	
Split-interest agreement obligation payments	(199,348)
Net decrease in cash and cash equivalents	(963,087)
Cash and cash equivalents, beginning of year, as restated	3,866,727
Cash and cash equivalents, end of year	$ 2,903,640
Supplemental cash flow disclosure	
Cash paid for unrelated business income taxes	$ 99,047

See notes to consolidated financial statements.

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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 ("GAAP") and include the accounts of OAI and WAOF. All intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

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

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

Consistent with the terms of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), those earnings will initially be classified as temporarily restricted in the accompanying consolidated statement of activities, pending appropriation by the board of directors.

Use of 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

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. 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 are stated at fair value. OAI and WAOF invest in various investment securities, which are exposed to various risks such as interest rate, market and credit risks.

Investment in Real Estate Partnerships

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

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

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's own assumptions.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of providing OAI and WAOF'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.

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

The Organization's tax filings for years prior to 2009 are no longer subject to examination by tax authorities.

Subsequent Events
These consolidated financial statements were approved by management and available for issuance on April 14, 2015.

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	$ 1,472,000
One to five years	5,888,000
Five or more years	5,152,000
	12,512,000
Discount on multi-year contributions receivable	(369,143)
Contributions receivable, Anieres Program, net	$ 12,142,857

4 - CONTRIBUTIONS RECEIVABLE, OTHER

OAI received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 1.5% to 5%. Outstanding contributions receivable were as follows as of December 31, 2013:

Amounts due in:	
Less than one year	$ 2,884,504
One to five years	449,167
Five or more years	240,000
	3,573,671
Allowance for uncollectible contributions	(129,000)
Discount on multi-year contributions receivable	(92,765)
Contributions receivable, other, net	$ 3,351,906

5 - INVESTMENTS (INCLUDING BENEFICIAL INTEREST IN PERPETUAL TRUST HELD BY A THIRD PARTY)

Investments (including beneficial interest in perpetual trust held by a third party) consist of the following as of December 31, 2013:

Money market funds	$ 330,904
Marketable equity securities	1,056,232
Mutual funds	3,078,799
Bonds	838,612
Pooled investment funds	18,377,138
State of Israel bonds	115,663
Investment in life insurance contracts	126,243
Total investments, at fair value	$ 23,923,591

Investment income consists of the following for the year ended December 31, 2013:

Interest, dividends and changes in annuity values	$ 200,093
Realized gain	361,162
Unrealized gain	2,052,958
Insurance royalties	9,370
Management fees	(83,418)
	$ 2,540,165

5 - INVESTMENTS (INCLUDING BENEFICIAL INTEREST IN PERPETUAL TRUST HELD BY A THIRD PARTY) (Continued)

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

6 - FAIR VALUE MEASUREMENT

The following table sets forth, by level, OAI and WAOF's investments at fair value, within the fair value hierarchy, as of December 31, 2013:

		2013 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	$ 330,904	$ 330,904	$ -	$ -
Bonds				
Corporate	228,650	-	228,650	-
Government agency	609,962	-	609,962	-
	838,612	-	838,612	-
Marketable equity securities				
Exchange-traded funds	754,111	754,111	-	-
Common stock	162,641	162,641	-	-
International equities	139,480	139,480	-	-
	1,056,232	1,056,232	-	-
Mutual funds				
International equities	584,583	584,583	-	-
Domestic large blend	206,586	206,586	-	-
Domestic small cap	73,037	73,037	-	-
International large blend	176,023	176,023	-	-
Fixed income	2,038,570	2,038,570	-	-
	3,078,799	3,078,799	-	-
Pooled investment funds	18,377,138	-	31,474	18,345,664
State of Israel bonds	115,663	-	115,663	-
Investment in life insurance contracts	126,243	-	-	126,243
Total investments at fair value	$ 23,923,591	$ 4,465,935	$ 985,749	$ 18,471,907

6 - FAIR VALUE MEASUREMENT (Continued)

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.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2013:

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

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

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

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

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

6 - FAIR VALUE MEASUREMENT (Continued)

The Organization categorized its investments in investment pools 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 date of redemption request.

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the year ended December 31, 2013:

	Investments in Life Insurance Contracts	Investment Pool
Balance, beginning of year, as restated	$ 143,061	$ 16,662,521
Termination of life insurance policy	(16,818)	-
Interest and dividends	-	92,925
Net realized gain	-	241,741
Net unrealized gain	-	1,804,885
Investment fees	-	(69,712)
Purchase of investments	-	313,693
Sale of investments	-	(700,389)
Balance, end of year	$ 126,243	$ 18,345,664

7 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 consists of the following:

Leasehold improvements	$ 32,348
Furniture and equipment	285,972
Property and equipment of branches	157,453
	475,773
Less - Accumulated depreciation and amortization	266,866
	$ 208,907

Depreciation and amortization amounted to $32,815 for the year ended December 31, 2013.

8 - LEASE COMMITMENTS

OAI has entered into a lease agreement to rent office space located at 75 Maiden Lane, 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
2014	$ 394,129	$ 62,843	$ (103,819)	$ 353,153
2015	404,967	33,429	(106,415)	331,982
2016	416,104	30,119	(45,188)	401,034
2017	35,305	10,040	-	45,345
	$ 1,250,505	$ 136,431	$ (255,422)	$ 1,131,514

Occupancy expense was $625,385 for the year ended December 31, 2013.

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.

The Organization leases office equipment for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2017 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 $4,823 during the year ended December 31, 2013.

The future minimum rental payment required under the operating lease agreement for office equipment is $57,037 in 2014.

Equipment lease expense (included in the consolidated statement of functional expenses) was $80,984 for the year ended December 31, 2013.

9 - 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 $67,027 for the year ended December 31, 2013.

The following table summarizes the benefit obligation, fair value of assets and the funded status for the year ended December 31, 2013:

	WAO	AOI
Benefit obligation	$ (6,384,090)	$ (8,550,083)
Fair value of plan assets	4,904,303	6,224,813
Funded status at end of year	$ (1,479,787)	$ (2,325,270)
Amounts recognized as liabilities in the consolidated statement of financial position	$ (1,479,787)	$ (2,325,270)
Amounts recognized as cumulative changes in pension other than net periodic costs		
Net loss	$ (2,516,355)	$ (4,522,011)
Cumulative employer contributions in excess of net periodic benefit cost	1,036,568	2,196,741
Net amount recognized	$ (1,479,787)	$ (2,325,270)
Components of net periodic benefit costs		
Interest cost	$ 255,863	$ 342,838
Expected return on assets	(319,816)	(396,091)
Amortization net loss	210,825	199,413
Net periodic benefit cost	$ 146,872	$ 146,160

9 - ACCRUED PENSION PAYABLE (Continued)

Changes in pension costs other than net periodic costs:

	WAO	AOI
Net loss	$ (294,147)	$ (449,758)
Amortization of net loss	(210,825)	(199,413)
Net other than periodic costs	$ (504,972)	$ (649,171)
Accumulated benefit obligation	$ 6,384,090	$ 8,550,083
Employer contributions	518,270	831,977
Benefits paid	489,630	416,493

Weighted average assumptions to determine benefit obligations at December 31:

	WAO	AOI
Discount rate	4.25%	4.25%

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

	WAO	AOI
Discount rate	4.05%	4.05%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

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
2014	$ 524,350	$ 573,106
2015	524,213	579,387
2016	516,943	610,975
2017	500,775	637,501
2018	478,189	622,397
2019 - 2022	2,149,094	2,896,576

WAO expects to contribute $480,009 and AOI expects to contribute $735,124 in 2014.

9 - ACCRUED PENSION PAYABLE (Continued)

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.

All plan assets were converted to cash equivalents as of December 31, 2013 to be transferred from Bank of America, N.A. to Hand Benefits and Trust Company, the new Trustee, in January 2014.

10 - 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, 2013:

Benefit obligation	$	(487,854)
Fair value of plan assets		-
Funded status at end of year	$	(487,854)
Amounts recognized as liability in the consolidated statement of financial position	$	(487,854)
Components of net periodic benefit cost		
Interest cost	$	19,380
Amortization of transition obligation		24,205
Net periodic benefit cost	$	43,585
Changes in pension costs other than net periodic costs		
Actuarial loss	$	362
Transition obligation		(24,205)
Net other than periodic cost	$	(23,843)
Employer contributions	$	29,806
Plan participants' contributions		3,600
Benefits paid		33,406

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

Weighted-average assumptions to determine benefit obligations at December 31, 2013:

Discount rate	4.17%

Weighted average assumptions to determine net periodic benefit cost for the year ended December 31, 2013:

Discount rate	4.05%

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

Year Ending December 31,		
2014	$	36,685
2015		35,221
2016		36,282
2017		39,680
2018		40,594
2019 - 2023		180,712

OAI expects to contribute $36,685 to the plan in 2014.

The assumed health care trend rate at December 31, 2013 is as follows:

Health care cost trend rate assumed for next year	6.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00
Year that the rate reaches the ultimate trend rate	2019

10 - POSTRETIREMENT BENEFIT COSTS (Continued)

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	$ 264	$ (242)
Effect on postretirement benefit obligation	6,552	(5,994)

11- 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 the current year's salary. On March 31, 2004, AOI froze severance benefits for employees. The severance liability as of December 31, 2013 was $227,517.

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 1.6% to 10.0%.

12 - SPLIT-INTEREST AGREEMENTS (Continued)

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

	Total	OAI	WAOF
Statement of activities			
Contributions	$ 9,996	$ 9,996	$ -
Change in value of split-interest agreements	42,677	47,162	(4,485)
Statement of financial position			
Investments	3,672,545	2,939,745	732,800
Liabilities under split-interest agreements	1,844,958	1,580,257	264,701

The asset balance at December 31, 2013 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.

13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 are available for educational assistance and scholarships.

During the year ended December 31, 2013, 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). In 2013, $50,000 was returned to a donor based on the donor's instruction.

14 - LOCAL REGIONS AND CHAPTERS-AT-LARGE

Assets and liabilities of local regions and chapters-at-large are presented in the consolidated statement of financial position as of December 31, 2013 in the following classifications:

Assets		
Cash	$	378,457
Property and equipment, net		157,453
Prepaid expenses and other assets		49,120
	$	585,030
Liabilities		
Accounts payable and accrued expenses	$	235,540

Local regions and chapters-at-large expenses are reported on the consolidated statement of functional expenses, and consist of the following for the year ended December 31, 2013:

Salaries and related benefits	$	367,273
Occupancy		150,747
Office expense		127,282
Other		16,060
	$	661,362

Depreciation expense of $4,861 from local regions and chapters-at-large was included in the depreciation and amortization expense on the consolidated statement of functional expenses.

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS

The Endowment: The Organization's endowment consists of approximately 170 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.

15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS (Continued)

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

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

Spending Policy and How Investment Objectives Relate to Spending Policy: Expenditures from the board-designated net assets are released as approved by the Organization's board of directors. The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations 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, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2012	$ 4,323,041	$ 6,800,778	$ 7,482,189	$18,606,008
Investment return				
Investment income	24,885	61,504	-	86,389
Investment fee	(19,397)	(47,895)	-	(67,292)
Real estate partnership income	-	207,416	-	207,416
Change in value of life insurance contracts	-	-	-	-
Net change in asset value (realized and unrealized)	570,513	1,406,005	-	1,976,518
Total investment return (loss)	576,001	1,627,030	-	2,203,031
Contributions	49,523	288,760	6,475	344,758
Funds returned to a donor	-	-	(50,000)	(50,000)
Appropriation of endowment assets for expenditure	(331,234)	(319,155)	-	(650,389)
Changes in net assets	294,290	1,596,635	(43,525)	1,847,400
Endowment net assets, December 31, 2013	$ 4,617,331	$ 8,397,413	$ 7,438,664	$20,453,408

16 - 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."

16 - CONTINGENCIES (Continued)

In July 2009, ORT America, Inc. and ORT Israel agreed to settle the New York Lawsuit. 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 their attorney, OAI management has concluded that some probable loss will result from the lawsuit and OAI has accrued approximately $461,000 on the basis that such loss, while still being contested by OAI, is probable.

17 - RELATED PARTY TRANSACTIONS

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.

18 - COMMITMENTS PAYABLE, WORLD ORT

The Organization received $949,840 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 $12,142,857 (stated at net of present value) to be received from a donor for the Anieres Program will be transferred to World ORT when collected.

19 - CORRECTION OF ERRORS

The Organization's net assets at January 1, 2013 have been restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at January 1, 2013, as previously reported	$ 3,255,229	$ 9,490,056	$ 7,971,509	$ 20,716,794
Adjustments				
To adjust accumulated depreciation	(8,827)	-	-	(8,827)
To adjust for under accrual of annuity obligations	(118,181)	51,618`	-	(66,563)
To adjust cost basis of investments in real estate partnerships	(746,047)	-	-	(746,047)
To adjust fair value of beneficial interest in perpetual trust held by third parties	-	-	15,399	15,399
To adjust overstatement of prepaid expense balance	(68,904)	-	-	(68,904)
To adjust present value discount on legacy receivables	49,747	-	-	49,747
To include a local region previously unconsolidated and adjust cash balance for a chapter-at-large	(29,555)	-	-	(29,555)
To record under accrual of prior year federal and state tax liabilities	(69,989)	-	-	(69,989)
To correct classification of certain contributions	(287,760)	287,760	-	-
To adjust overstatement of investments in life insurance contracts	-	(32,588)	-	(32,588)
Net assets, January 1, 2013, as restated	$ 1,975,713	$ 9,796,846	$ 7,986,908	$ 19,759,467

CONSOLIDATING SUPPLEMENTARY INFORMATION

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	ORT America, Inc.	Women's American ORT Foundation	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 2,679,746	$ 223,894	$ -	$ 2,903,640
Investments, at fair value	10,009,831	13,605,884	-	23,615,715
Investments in real estate partnerships, at cost	450,231	-	-	450,231
Contributions receivable, net				
Anieres Program	12,142,857	-	-	12,142,857
Other	3,351,906	-	-	3,351,906
Due from WAOF	1,444,597	-	(1,444,597)	-
Prepaid expenses and other assets	268,986	-	-	268,986
Beneficial interest in perpetual trust held by third parties	307,876	-	-	307,876
Property and equipment, net	208,907	-	-	208,907
Copyright and trade name,				
less accumulated amortization	-	1,665,350	(1,665,350)	-
	$ 30,864,937	$ 15,495,128	$ (3,109,947)	$ 43,250,118
LIABILITIES AND NET ASSETS				
Liabilities				
Due to OAI	$ -	$ 1,444,597	$ (1,444,597)	$ -
Accounts payable and accrued expenses	1,235,954	893	-	1,236,847
Accrued pension payable	3,805,057	-	-	3,805,057
Accrued postretirement benefit costs	487,854	-	-	487,854
Employees' severance payable	227,517	-	-	227,517
Grants payable - World ORT				
Anieres Program	12,142,857	-	-	12,142,857
Other	949,840	-	-	949,840
Split-interest agreement obligations	1,580,257	264,701	-	1,844,958
	20,429,336	1,710,191	(1,444,597)	20,694,930
Net assets				
Unrestricted	(424,506)	5,184,829	(1,665,350)	3,094,973
Temporarily restricted	7,284,570	4,232,262	-	11,516,832
Permanently restricted	3,575,537	4,367,846	-	7,943,383
	10,435,601	13,784,937	(1,665,350)	22,555,188
	$ 30,864,937	$ 15,495,128	$ (3,109,947)	$ 43,250,118

See Independent Auditors' Report.

ORT AMERICA, INC. AND WOMEN'S AMERICAN ORT FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	ORT America, Inc.			Women's American ORT Foundation				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
Revenue, public support and other support								
Contributions								
Anieres Program	$ 13,608,417	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,608,417
Other	6,266,891	721,129	-	48,339	1,000	6,475	-	7,043,834
Grant income	2,625,168	-	-	-	-	-	-	2,625,168
International cooperation programs	257,033	-	-	-	-	-	-	257,033
Membership dues	328,607	-	-	-	-	-	-	328,607
Legacies	2,700,223	-	-	-	-	-	-	2,700,223
Investment income	377,168	706,157	-	539,504	917,336	-	-	2,540,165
Income from real estate partnerships	-	207,416	-	-	-	-	-	207,416
Change in value of split-interest agreements	-	47,162	-	-	(4,485)	-	-	42,677
Special events	11,425	183,452	-	-	-	-	-	194,877
Royalty income	-	-	-	170,000	-	-	(170,000)	-
Miscellaneous	256,095	-	-	-	-	-	(40,714)	215,381
Net assets released from restrictions	968,606	(918,606)	(50,000)	140,575	(140,575)	-	-	-
Total revenue, public support and other support	27,399,633	946,710	(50,000)	898,418	773,276	6,475	(210,714)	29,763,798
Expenses								
Program services								
ORT schools and grants	20,905,850	-	-	354,598	-	-	-	21,260,448
National activities	941,066	-	-	-	-	-	-	941,066
Communications and marketing	418,176	-	-	-	-	-	-	418,176
Total program services	22,265,092	-	-	354,598	-	-	-	22,619,690
Supporting services								
Management and general	2,306,512	-	-	101,118	-	-	(254,539)	2,153,091
Fund-raising	3,373,282	-	-	-	-	-	-	3,373,282
Total supporting services	5,679,794	-	-	101,118	-	-	(254,539)	5,526,373
Total expenses before other items	27,944,886	-	-	455,716	-	-	(254,539)	28,146,063
Change in net assets before other items	(545,253)	946,710	(50,000)	442,702	773,276	6,475	43,825	1,617,735
Other items								
Pension and other postretirement-related charges other than net periodic costs	1,177,986	-	-	-	-	-	-	1,177,986
Change in net assets	632,733	946,710	(50,000)	442,702	773,276	6,475	43,825	2,795,721
Net assets								
Beginning of year, as restated (Note 19)	(1,057,239)	6,337,860	3,625,537	4,742,127	3,458,986	4,361,371	(1,709,175)	19,759,467
End of year	$ (424,506)	$ 7,284,570	$ 3,575,537	$ 5,184,829	$ 4,232,262	$ 4,367,846	$ (1,665,350)	$ 22,555,188

See Independent Auditors' Report.