# CHAR500

NYS Annual Filing for Charitable Organizations
www.CharitiesNYS.com

Send with fee and attachments to:
NYS Office of the Attorney General
Charities Bureau Registration Section
120 Broadway
New York, NY 10271

**2015**

**Open to Public Inspection**

## 1. General Information

For Fiscal Year Beginning (mm/dd/yyyy) 01/01/2015 and Ending (mm/dd/yyyy) 12/31/2015

| Check if Applicable: | | |
|---|---|---|
| [ ] Address Change | Name of Organization: ORT AMERICA,INC | Employer Identification Number (EIN): 13-5562424 |
| [ ] Name Change<br>[ ] Initial Filing | Mailing Address: 75 MAIDEN LANE, NO. 10 | NY Registration Number: 00-86-72 |
| [ ] Final Filing<br>[ ] Amended Filing | City / State / ZIP: NEW YORK, NY 10038 | Telephone: 212 505-7700 |
| [ ] Reg ID Pending | Website: ORTAMERICA.ORG | Email: |

Check your organization's registration category: [ ] 7A only [ ] EPTL only [X] DUAL (7A & EPTL) [ ] EXEMPT

Confirm your Registration Category in the Charities Registry at www.CharitiesNYS.com

## 2. Certification

See instructions for certification requirements. Improper certification is a violation of law that may be subject to penalties.

*We certify under penalties of perjury that we reviewed this report, including all attachments, and to the best of our knowledge and belief, they are true, correct and complete in accordance with the laws of the State of New York applicable to this report.*

President or Authorized Officer: ______________________ JEFFREY COOPER COO

Signature | Print Name and Title | Date

Chief Financial Officer or Treasurer: ______________________ MARTIN GREENBERG EXECUTIVE DIRECTOR

Signature | Print Name and Title | Date



## 3. Annual Reporting Exemption

Check the exemption(s) that apply to your filing. If your organization is claiming an exemption under one category (7A or EPTL only filers) or both categories (DUAL filers) that apply to your registration, complete only parts 1, 2, and 3, and submit the certified Char500. No fee, schedules, or additional attachments are required. If you cannot claim an exemption or are a DUAL filer that claims only one exemption, you must file applicable schedules and attachments and pay applicable fees.

[ ] 3a. 7A filing exemption: Total contributions from NY State including residents, foundations, government agencies, etc, did not exceed $25,000 and the organization did not engage a professional fund raiser (PFR) or fund raising counsel (FRC) to solicit contributions during the fiscal year. Or the organization qualifies for another 7A exemption (see instructions).

[ ] 3b. EPTL filing exemption: Gross receipts did not exceed $25,000 and the market value of assets did not exceed $25,000 at any time during the fiscal year.

## 4. Schedules and Attachments

See the following page for a checklist of schedules and attachments to complete your filing.

[ ] Yes [X] No 4a. Did your organization use a professional fund raiser, fund raising counsel or commercial co-venturer for fund raising activity in NY State? If yes, complete Schedule 4a.

[ ] Yes [X] No 4b. Did the organization receive government grants? If yes, complete Schedule 4b.

## 5. Fee

| See the checklist on the next page to calculate your fee(s). Indicate fee(s) you are submitting here: | 7A filing fee: | EPTL filing fee: | Total fee: | Make a single check or money order payable to: |
|---|---|---|---|---|
| | $ 25. | $ 750. | $ 775. | **"Department of Law"** |

# CHAR500

Annual Filing Checklist

Simply submit the certified CHAR500 with no fee, schedule, or additional attachments IF:
- Your organization is registered as 7A only and you marked the 7A filing exemption in Part 3.
- Your organization is registered as EPTL only and marked the EPTL filing exemption in Part 3.
- Your organization is registered as DUAL and you marked both the 7A and EPTL filing exemption in Part 3.

## Checklist of Schedules and Attachments

Check the schedules you must submit with your CHAR500 as described in Part 4:

- [ ] If you answered "yes" in Part 4a, submit Schedule 4a: Professional Fund Raisers (PFR), Fund Raising Counsel (FRC), Commercial Co-Venturers (CCV)
- [ ] If you answered "yes" in Part 4b, submit Schedule 4b: Government Grants

Check the financial attachments you must submit with your CHAR500:

- [X] IRS Form 990, 990-EZ, or 990-PF, and 990-T if applicable
- [X] All additional IRS Form 990 Schedules, including Schedule B (Schedule of Contributors).
- [ ] Our organization was eligible for and filed an IRS 990-N e-postcard. We have included an IRS Form 990-EZ for state purposes only.

If you are a 7A only or DUAL filer, submit the applicable independent Certified Public Accountant's Review or Audit Report:

- [ ] Review Report if you received total revenue and support greater than $250,000 and up to $500,000.
- [X] Audit Report if you received total revenue and support greater than $500,000
- [ ] No Review Report or Audit Report is required because total revenue and support is less than $250,000
- [ ] We are a DUAL filer and checked box 3a, no Review Report or Audit Report is required

## Calculate Your Fee

For 7A and DUAL filers, calculate the 7A fee:

- [ ] $0, if you checked the 7A exemption in Part 3a
- [X] $25, if you did not check the 7A exemption in Part 3a

For EPTL and DUAL filers, calculate the EPTL fee:

- [ ] $0, if you checked the EPTL exemption in Part 3b
- [ ] $25, if the NET WORTH is less than $50,000
- [ ] $50, if the NET WORTH is $50,000 or more but less than $250,000
- [ ] $100, if the NET WORTH is $250,000 or more but less than $1,000,000
- [ ] $250, if the NET WORTH is $1,000,000 or more but less than $10,000,000
- [X] $750, if the NET WORTH is $10,000,000 or more but less than $50,000,000
- [ ] $1500, if the NET WORTH is $50,000,000 or more

***Is my Registration Category 7A, EPTL, DUAL or EXEMPT?***

Organizations are assigned a Registration Category upon registration with the NY Charities Bureau:

**7A** filers are registered to solicit contributions in New York under Article 7-A of the Executive Law ("7A")

**EPTL** filers are registered under the Estates, Powers & Trusts Law ("EPTL") because they hold assets and/or conduct activities for charitable purposes in NY.

**DUAL** filers are registered under both 7A and EPTL.

**EXEMPT** filers have registered with the NY Charities Bureau and meet conditions in **Schedule E - Registration Exemption for Charitable Organizations**. These organizations are not required to file annual financial reports but may do so voluntarily.

Confirm your Registration Category and learn more about NY law at www.CharitiesNYS.com

***Where do I find my organization's NET WORTH?***

NET WORTH for fee purposes is calculated on:
- IRS From 990 Part I, line 22
- IRS Form 990 EZ Part I, line 21
- IRS Form 990 PF, calculate the difference between Total Assets at Fair Market Value (Part II, line 16(c)) and Total Liabilities (Part II, line 23(b)).

## Send Your Filing

Send your CHAR500, all schedules and attachments, and total fee to:

NYS Office of the Attorney General
Charities Bureau Registration Section
120 Broadway
New York, NY 10271

# ORT AMERICA, INC.

## FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2015

## AND

## INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP®

ACCOUNTANTS AND ADVISORS

**ORT AMERICA, INC.**

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ORT America, Inc.

We have audited the accompanying financial statements of ORT America, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the local regions and chapters-at-large, which statements reflect total assets of $350,211 at December 31, 2015, and total revenues of $2,095,555 for the year then ended. These financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for local regions and chapters-at-large, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

(Continued)



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

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

**Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Friedman LLP

November 9, 2016

## ORT AMERICA, INC.

## STATEMENT OF FINANCIAL POSITION

## DECEMBER 31, 2015

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 3,673,911 |
| Investments, at fair value | | 10,412,021 |
| Investments in real estate partnerships, at cost | | 389,675 |
| Contributions receivable, net | | |
| Anieres Program | | 9,312,049 |
| Other | | 2,090,010 |
| Due from WAOF | | 1,028,647 |
| Prepaid expenses and other assets | | 386,847 |
| Beneficial interests in perpetual trusts held by third parties | | 1,484,442 |
| Property and equipment, net | | 147,564 |
| | $ | 28,925,166 |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ | 1,141,909 |
| Accrued pension payable | | 3,629,725 |
| Accrued postretirement benefit costs | | 530,857 |
| Employees' severance payable | | 101,184 |
| Grants payable - World ORT | | |
| Anieres Program | | 9,310,971 |
| Other | | 818,547 |
| Split-interest agreement obligations | | 1,670,163 |
| | | 17,203,356 |
| Commitments and contingencies | | |
| **Net assets** | | |
| Unrestricted | | (1,042,576) |
| Temporarily restricted | | 7,652,408 |
| Permanently restricted | | 5,111,978 |
| | | 11,721,810 |
| | $ | 28,925,166 |

See notes to financial statements.

**ORT AMERICA, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Revenue, public support and other support** | | | | |
| Contributions | $ 7,732,084 | $ 155,328 | $ 157,055 | $ 8,044,467 |
| Grant income | 2,501,164 | - | - | 2,501,164 |
| Membership dues | 372,632 | - | - | 372,632 |
| Legacies | 2,543,841 | 500,000 | - | 3,043,841 |
| Investment loss | (26,187) | (31,463) | - | (57,650) |
| Income from real estate partnerships | - | 395,796 | - | 395,796 |
| Change in value of split-interest agreements | - | (136,026) | - | (136,026) |
| Special events | 134,011 | 165,156 | - | 299,167 |
| Gain on sale of property | 941,085 | - | - | 941,085 |
| Miscellaneous | 308,327 | - | - | 308,327 |
| Net assets released from restrictions | 677,007 | (677,007) | - | - |
| Total revenue, public support and other support | 15,183,964 | 371,784 | 157,055 | 15,712,803 |
| **Expenses** | | | | |
| Program services | | | | |
| ORT schools and grants | 7,521,173 | - | - | 7,521,173 |
| National activities | 4,211,454 | - | - | 4,211,454 |
| Communications and marketing | 643,821 | - | - | 643,821 |
| Total program services | 12,376,448 | - | - | 12,376,448 |
| Supporting services | | | | |
| Management and general | 1,474,304 | - | - | 1,474,304 |
| Fund-raising | 732,423 | - | - | 732,423 |
| Total supporting services | 2,206,727 | - | - | 2,206,727 |
| Total expenses before other items | 14,583,175 | - | - | 14,583,175 |
| **Change in net assets before other items** | 600,789 | 371,784 | 157,055 | 1,129,628 |
| Other items | | | | |
| Pension and other postretirement-related charges other than net periodic costs | (902,292) | - | - | (902,292) |
| **Change in net assets** | (301,503) | 371,784 | 157,055 | 227,336 |
| **Net assets** | | | | |
| Beginning of year | (741,073) | 7,280,624 | 4,954,923 | 11,494,474 |
| End of year | $ (1,042,576) | $ 7,652,408 | $ 5,111,978 | $ 11,721,810 |

See notes to financial statements.

**ORT AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2015**

| | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | ORT Schools and Grants | National Activities | Communications and Marketing | Total | Management and General | Fund-Raising | Total | Total |
| Salaries | $ 130,748 | $ 1,707,824 | $ 175,253 | $ 2,013,825 | $ 550,030 | $ 194,100 | $ 744,130 | $ 2,757,955 |
| Payroll taxes and employee benefits | 34,782 | 454,320 | 46,621 | 535,723 | 146,320 | 51,635 | 197,955 | 733,678 |
| **Total salaries and related expenses** | 165,530 | 2,162,144 | 221,874 | 2,549,548 | 696,350 | 245,735 | 942,085 | 3,491,633 |
| Custody account expense and filing fees | - | - | - | - | 31,782 | - | 31,782 | 31,782 |
| Telephone | 765 | 21,823 | 1,278 | 23,866 | 2,249 | 3,464 | 5,713 | 29,579 |
| Supplies | 1,190 | 19,591 | 1,989 | 22,770 | 3,479 | 5,695 | 9,174 | 31,944 |
| Printing and publications | 422 | 47,717 | 99,716 | 147,855 | 1,777 | 628 | 2,405 | 150,260 |
| Professional and consulting fees | 15,888 | 262,001 | 58,833 | 336,722 | 115,222 | 23,585 | 138,807 | 475,529 |
| Postage and shipping fees | 1,201 | 19,635 | 42,225 | 63,061 | 3,512 | 1,520 | 5,032 | 68,093 |
| Occupancy | 33,071 | 368,610 | 55,290 | 456,971 | 96,715 | 41,855 | 138,570 | 595,541 |
| Travel | 1,133 | 60,577 | 1,895 | 63,605 | 4,425 | 15,219 | 19,644 | 83,249 |
| Meetings, conferences and events | 1,461 | 379,351 | 2,476 | 383,288 | 7,017 | 19,362 | 26,379 | 409,667 |
| Computer system and maintenance | 13,488 | 104,880 | 22,551 | 140,919 | 39,446 | 17,071 | 56,517 | 197,436 |
| Local regions and chapters-at-large | 52,696 | 538,666 | 105,391 | 696,753 | 286,898 | 333,739 | 620,637 | 1,317,390 |
| Insurance | 3,523 | 46,022 | 4,723 | 54,268 | 14,822 | 5,231 | 20,053 | 74,321 |
| Equipment rentals and purchases | 3,050 | 48,810 | 5,100 | 56,960 | 10,438 | 3,860 | 14,298 | 71,258 |
| Legal fees | - | - | - | - | 32,803 | - | 32,803 | 32,803 |
| Bad debt | - | - | - | - | 72,079 | - | 72,079 | 72,079 |
| Depreciation and amortization | 1,979 | 15,383 | 3,309 | 20,671 | 5,787 | 2,505 | 8,292 | 28,963 |
| Miscellaneous expenses | 8,599 | 116,244 | 17,171 | 142,014 | 36,174 | 12,954 | 49,128 | 191,142 |
| Unrelated business income tax | - | - | - | - | 13,329 | - | 13,329 | 13,329 |
| **Subtotal** | 303,996 | 4,211,454 | 643,821 | 5,159,271 | 1,474,304 | 732,423 | 2,206,727 | 7,365,998 |
| Overseas and domestic program grants | 7,217,177 | - | - | 7,217,177 | - | - | - | 7,217,177 |
| **Total expenses** | **$ 7,521,173** | **$ 4,211,454** | **$ 643,821** | **$ 12,376,448** | **$ 1,474,304** | **$ 732,423** | **$ 2,206,727** | **$ 14,583,175** |

See notes to financial statements.

ORT AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ | 227,336 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation and amortization | | 33,497 |
| Net realized and unrealized loss on investments | | 131,915 |
| Net realized and unrealized loss on beneficial interests in perpetual trusts held by third parties | | 28,393 |
| Write-off of investments in real estate partnerships | | 60,556 |
| Gain on sale of property | | (941,085) |
| Disposal of property and equipment | | 25,833 |
| Change in value of split-interest agreements | | 136,026 |
| Bad debt expense | | 48,119 |
| Provision for uncollectable accounts | | 21,999 |
| Change in present value of contributions receivable | | (47,925) |
| Pension and other retirement charges other than net periodic costs | | 902,292 |
| Changes in assets and liabilities | | |
| Contributions receivable, Anieres Program | | 1,436,000 |
| Contributions receivable, other | | (326,730) |
| Due from WAOF | | 157,990 |
| Other receivable | | 375,000 |
| Prepaid expenses and other assets | | (95,689) |
| Beneficial interests in perpetual trusts held by third parties | | 56,486 |
| Accounts payable and accrued expenses | | (280,047) |
| Accrued pension payable | | (907,312) |
| Accrued postretirement benefit costs | | (3,174) |
| Employees' severance payable | | (62,658) |
| Grants payable, World ORT, Anieres Program | | (1,349,943) |
| Grants payable, World ORT | | (284,846) |
| Net cash used in operating activities | | (657,967) |
| **Cash flows from investing activities** | | |
| Purchases of investments | | (1,411,888) |
| Purchase of property and equipment | | (7,054) |
| Proceeds from sale of investments | | 1,288,986 |
| Proceeds from sale of property | | 941,085 |
| Net cash provided by investing activities | | 811,129 |
| **Cash flows from financing activities** | | |
| Split-interest agreement obligation payments | | (30,382) |
| **Net increase in cash and cash equivalents** | | 122,780 |
| Cash and cash equivalents, beginning of year | | 3,551,131 |
| **Cash and cash equivalents, end of year** | $ | 3,673,911 |

See notes to financial statements.

# ORT AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 - NATURE OF ORGANIZATION

ORT America, Inc. ("ORT" or the "Organization") was incorporated in New York in 1969. ORT comprises one of the largest nongovernmental education and training organizations in the world, raising funds for a network of ORT schools and programs in the United States and around the world. ORT's worldwide operations help more than 300,000 students and beneficiaries of the programs each year in Israel, Latin America, the former Soviet Union and other countries. In the United States, over 20,000 students and beneficiaries of the programs are served by Bramson ORT College in New York, Chicago ORT Technical College 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.

ORT is funded primarily by contributions from the general public.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting and Presentation**

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

The 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:

<u>Unrestricted</u>: Unrestricted net assets are not subject to donor-imposed stipulation.

<u>Temporarily Restricted:</u> 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.

<u>Permanently Restricted:</u> 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.

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 statement of activities, pending appropriation by the Board of Directors.

## 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Cash and Cash Equivalents**
Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For financial reporting purposes, ORT considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash that is managed as part of ORT's long-term investment strategy.

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

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

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

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

**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 are included in the 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 of five years, while leasehold improvements are amortized over the shorter of the terms of the leases or the asset life.

**Risks and Uncertainties**
ORT invests in 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 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 ORT's programs and supporting services have been summarized on a functional basis. Some costs are directly charged to each service area as they are clearly identified as program services or supporting services. Indirect costs are allocated to the different programs and supporting service areas benefited, as determined by management.

Program services are categorized as follows:

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

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

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

Supporting services are categorized as follows:

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

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

**Income Taxes**

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

**Subsequent Events**

These financial statements were approved by management and available for issuance on November 9, 2016.

## 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 | $ 1,499,135 |
| One to five years | 5,888,000 |
| Five or more years | 2,208,000 |
| | 9,595,135 |
| Discount on multi-year contributions receivable | (283,086) |
| **Contributions receivable, Anieres Program, net** | $ 9,312,049 |

## 4 - CONTRIBUTIONS RECEIVABLE, OTHER

ORT received unconditional promises to give, restricted by time. Noncurrent contributions receivable have been discounted over the payment period using discount rates ranging from 2.5% to 5%. Outstanding contributions receivable were as follows as of December 31, 2015:

| | |
|---|---|
| Amounts due in | |
| Less than one year | $ 1,906,272 |
| One to five years | 126,711 |
| Five or more years | 200,000 |
| | 2,232,983 |
| Allowance for uncollectible contributions | (71,000) |
| Discount on multi-year contributions receivable | (71,973) |
| **Contributions receivable, other, net** | $ 2,090,010 |

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

Investments (including beneficial interests in perpetual trusts held by third parties) consist of the following as of December 31, 2015:

| | |
|---|---|
| Money market funds | $ 251,435 |
| Marketable equity securities | 998,444 |
| Mutual funds | 2,253,764 |
| Bonds | 770,056 |
| Pooled investment funds | 7,462,206 |
| State of Israel bonds | 150,300 |
| Investment in life insurance contracts | 10,258 |
| Total investments, at fair value | $ 11,896,463 |

Investment loss consists of the following for the year ended December 31, 2015:

| | |
|---|---|
| Interest, dividends and changes in annuity values | $ 147,067 |
| Realized gain | 132,905 |
| Unrealized loss | (296,749) |
| Unrealized foreign currency translation loss | (4,487) |
| Insurance royalties | 7,731 |
| Management fees | (44,117) |
| | $ (57,650) |

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

## 6 - FAIR VALUE MEASUREMENT

The following table sets forth, by level, ORT's investments at fair value, within the fair value hierarchy, as of December 31, 2015:

| | | 2015 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 | $ 251,435 | $ 251,435 | $ - | $ - |
| Bonds | | | | |
| Corporate | 334,973 | - | 334,973 | - |
| Government agency | 435,083 | - | 435,083 | - |
| | 770,056 | - | 770,056 | - |
| Marketable equity securities | | | | |
| Exchange-traded funds | 682,832 | 682,832 | - | - |
| Common stock | 151,007 | 151,007 | - | - |
| International equities | 164,605 | 164,605 | - | - |
| | 998,444 | 998,444 | - | - |
| Mutual funds | | | | |
| International equities | 180,003 | 180,003 | - | - |
| Domestic large blend | 53,051 | 53,051 | - | - |
| Domestic small cap | 54,210 | 54,210 | - | - |
| International large blend | 1,516,780 | 1,516,780 | - | - |
| Fixed income | 449,720 | 449,720 | - | - |
| - | 2,253,764 | 2,253,764 | - | - |
| Pooled investment funds | 7,462,206 | - | 28,709 | 7,433,497 |
| State of Israel bonds | 150,300 | - | 150,300 | - |
| Investment in life insurance contract | 10,258 | - | - | 10,258 |
| Total investments at fair value | $ 11,896,463 | $ 3,503,643 | $ 949,065 | $ 7,443,755 |

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

**6 - FAIR VALUE MEASUREMENT** (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2015:

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.

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 the date of the redemption request.

## 6 - FAIR VALUE MEASUREMENT (Continued)

The following table presents the reconciliation for Level 3 assets and liabilities measured at fair value during the year ended December 31, 2015:

| | Investment in Life Insurance Contract | Pooled Investment Funds |
|---|---|---|
| Balance, beginning of year | $ 10,139 | $ 7,115,808 |
| Interest and dividends | 119 | 54,472 |
| Net realized gain | - | 92,107 |
| Net unrealized gain | - | (207,926) |
| Investment fees | - | (34,976) |
| Purchase of investments | - | 470,498 |
| Sale of investments | - | (56,486) |
| Balance, end of year | $ 10,258 | $ 7,433,497 |

## 7 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 consist of the following:

| | |
|---|---|
| Leasehold improvements | $ 32,348 |
| Furniture and equipment | 107,908 |
| Property and equipment of branches | 122,090 |
| | 262,346 |
| Less - Accumulated depreciation and amortization | (114,782) |
| | $ 147,564 |

Depreciation and amortization amounted to $33,497, of which $4,513 is related to local regions and chapters at large, for the year ended December 31, 2015.

## 8 - LEASE COMMITMENTS

ORT has a lease agreement to rent office space located at 75 Maiden Lane, New York, New York, which was set to expire on January 31, 2017 but was subsequently amended in May 2016 which extended the lease term to April 30, 2027. In addition, several of the regional and chapter offices are subject to operating leases. ORT has also entered into a sublease agreement, effective March 1, 2011, for a portion of its New York office space, which was scheduled to expire on May 31, 2016. Minimum rental payments under the sublease agreement were $8,067 per month at the commencement of the lease term, with stated increases on each anniversary date. The sublease agreement also required the subtenant to pay a prorated share of enumerated tax, maintenance and utility charges. Effective June 1, 2015, the sublease agreement was amended, reducing the monthly rent to $6,000 inclusive of taxes, maintenance and utility charges, and extending the lease period through January 31, 2017. This amendment forfeits the sublessee's security deposit, prorated monthly through the remainder of the new lease period.

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 |
|---|---|---|---|---|
| 2016 | $ 416,104 | $ 168,249 | $ (72,000) | $ 512,353 |
| 2017 | 276,105 | 150,269 | ( 6,000) | 420,374 |
| 2018 | 370,800 | 102,221 | - | 473,021 |
| 2019 | 380,534 | 2,904 | - | 383,438 |
| 2020 | 390,952 | - | - | 390,952 |
| Thereafter | 2,738,991 | - | - | 2,738,991 |
| | $ 4,573,486 | $ 423,643 | $ (78,000) | $ 4,919,129 |

Occupancy expense was $595,541 for the year ended December 31, 2015.

Rent expense is recognized on a straight-line basis over the term of the lease. The difference between rental payments made under these leases and rent expense calculated on a straight-line basis is recorded as deferred rent payable and is reflected in the accompanying statement of financial position 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 2020 and provide for renewal. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Average monthly lease payments in the aggregate were $5,522 during the year ended December 31, 2015.

## 8 - LEASE COMMITMENTS (Continued)

The future minimum rental payment required under the operating lease agreement for office equipment is $248,604 as of December 31, 2015, to be paid through 2020.

Equipment lease expense (included in the statement of functional expenses) was $71,258 for the year ended December 31, 2015.

## 9 - ACCRUED PENSION PAYABLE

ORT administers three pension plans:

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

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

C. Defined Contribution Pension Plan: ORT established a defined contribution pension plan covering substantially all of its employees. Pension expense under this plan was $86,951 for the year ended December 31, 2015.

## 9 - ACCRUED PENSION PAYABLE (Continued)

The following table summarizes the benefit obligation, fair value of assets and the funded status for the year ended December 31, 2015:

| | WAO | AOI |
|---|---|---|
| Benefit obligation | $ (6,365,903) | $ (9,078,915) |
| Fair value of plan assets | 5,001,900 | 6,813,193 |
| **Funded status at end of year** | $ (1,364,003) | $ (2,265,722) |
| Amounts recognized as liabilities in the statement of financial position | $ (1,364,003) | $ (2,265,722) |
| Amounts recognized as cumulative changes in pension other than net periodic costs | | |
| Net loss | $ (3,281,006) | $ (5,671,656) |
| Cumulative employer contributions in excess of net periodic benefit cost | 1,917,003 | 3,405,934 |
| **Net amount recognized** | $ (1,364,003) | $ (2,265,722) |
| Components of net periodic benefit costs | | |
| Interest cost | $ 226,849 | $ 319,443 |
| Expected return on assets | (388,824) | (518,873) |
| Amortization of net loss | 120,539 | 223,728 |
| **Net periodic benefit cost** | $ (41,436) | $ 24,298 |

Changes in pension costs other than net periodic costs at December 31, 2015:

| | | |
|---|---|---|
| Net loss | $ 574,385 | $ 687,056 |
| Amortization of net loss | (120,539) | (223,728) |
| **Net other than periodic costs** | $ 453,846 | $ 463,328 |
| Accumulated benefit obligation | $ 6,365,903 | $ 9,078,915 |
| Employer contributions | 339,909 | 565,147 |
| Benefits paid | 486,084 | 514,952 |

Weighted average assumptions to determine benefit obligations at December 31, 2015:

| | WAO | AOI |
|---|---|---|
| Discount rate | 3.75% | 3.75% |

## 9 - ACCRUED PENSION PAYABLE (Continued)

Weighted average assumptions to determine net periodic cost at December 31, 2015:

| | WAO | AOI |
|---|---|---|
| Discount rate | 3.50% | 3.50% |
| Expected return on plan assets | 7.50 | 7.50 |
| Rate of compensation increase | N/A | N/A |

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

| Year Ending December 31, | WAO | AOI |
|---|---|---|
| 2016 | $ 543,499 | $ 663,245 |
| 2017 | 529,812 | 678,643 |
| 2018 | 512,723 | 662,297 |
| 2019 | 497,529 | 651,511 |
| 2020 | 478,221 | 634,988 |
| 2021 - 2025 | 2,162,656 | 2,942,477 |

WAO expects to contribute $228,200 and AOI expects to contribute $281,300 in 2016.

**9 - ACCRUED PENSION PAYABLE** (Continued)

The fair value of the plans' investments at December 31, 2015 (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 | |
| | 2015 | % 2015 | 2015 | % 2015 |
| Cash equivalents | $ 54,867 | 1.1% | $ 77,075 | 1.1% |
| Mutual funds | | | | |
| Small cap | 143,918 | 2.9 | 196,083 | 2.9 |
| Mid cap | 260,848 | 5.2 | 354,367 | 5.2 |
| Large value | 1,710,384 | 34.2 | 2,325,288 | 34.1 |
| International | 988,721 | 19.8 | 1,350,814 | 19.8 |
| Fixed income | 1,394,256 | 27.9 | 1,902,020 | 27.9 |
| Emerging markets | 78,770 | 1.5 | 107,543 | 1.6 |
| Real estate | 370,136 | 7.4 | 500,003 | 7.4 |
| | 4,947,033 | 98.9 | 6,736,118 | 98.9 |
| | $ 5,001,900 | 100.0% | $ 6,813,193 | 100.0% |

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

**10 - POSTRETIREMENT BENEFIT COSTS**

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

## 10 - POSTRETIREMENT BENEFIT COSTS (Continued)

The following table sets forth the plan's combined unfunded status and amounts recognized in the statement of financial position as of December 31, 2015:

| | | |
|---|---|---|
| Benefit obligation | $ | (530,857) |
| Fair value of plan assets | | - |
| **Funded status at end of year** | $ | (530,857) |
| Amount recognized as liability in the statement of financial position | $ | (530,857) |
| | | |
| Components of net periodic benefit cost | | |
| Interest cost | $ | 17,599 |
| Amortization of transition obligation | | 24,205 |
| Amortization of actuarial loss | | 154 |
| **Net periodic benefit cost** | $ | 41,958 |
| | | |
| Changes in pension costs other than net periodic costs | | |
| Actuarial loss | $ | 9,477 |
| Amortization of transition obligation | | (24,205) |
| Amortization of actuarial loss | | (154) |
| **Net other than periodic benefit** | $ | (14,882) |
| | | |
| Employer contributions | $ | 30,250 |
| Plan participants' contributions | | 3,600 |
| Benefits paid | | (33,850) |

Weighted-average assumptions to determine benefit obligations at December 31, 2015:

| | |
|---|---|
| Discount rate | 3.62% |

Weighted-average assumptions to determine net periodic benefit cost for the year ended December 31, 2015:

| | |
|---|---|
| Discount rate | 3.41% |

## 10 - POSTRETIREMENT BENEFIT COSTS (Continued)

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

| Year Ending December 31, | |
|---|---|
| 2016 | $ 42,054 |
| 2017 | 45,258 |
| 2018 | 45,999 |
| 2019 | 44,368 |
| 2020 | 42,726 |
| 2021 - 2025 | 187,072 |

ORT expects to contribute $42,054 to the plan in 2016.

The assumed health care trend rate at December 31, 2015 is as follows:

| | |
|---|---|
| Health care cost trend rate assumed for next year | 8.50% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 3.886 |
| Year that the rate reaches the ultimate trend rate | 2075 |

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

| | One Percentage Point Increase | One Percentage Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 275 | $ (223) |
| Effect on postretirement benefit obligation | 7,176 | (6,570) |

## 11 - EMPLOYEES' SEVERANCE PAYABLE

ORT has accrued the present value of severance pay for former AOI employees, which provides for a maximum of 24 months for nonunion employees based upon the current year's salary. On March 31, 2004, AOI froze severance benefits for employees. The severance liability as of December 31, 2015 was $101,184.

## 12 - SPLIT-INTEREST AGREEMENTS OBLIGATIONS

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

At the time of the gift, and adjusted annually, the Organization records contribution revenue and a liability for amounts payable to beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions. Gains and losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities. The discount rates used in the calculation range from 1.2% to 10.0%.

The financial statements include various split-interest agreements as of December 31, 2015, as follows:

| | |
|---|---|
| Statement of activities | |
| Contributions | $ 57,003 |
| Change in value of split-interest agreements | (136,026) |
| Statement of financial position | |
| Investments | 2,878,784 |
| Liabilities under split-interest agreements | 1,670,163 |

The asset balance at December 31, 2015 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Organization issues gift annuities. Reserves are included in liabilities under split-interest agreement obligations on the accompanying statement of financial position.

## 13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 are available for educational assistance and scholarships.

During the year ended December 31, 2015, 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).

## 14 - LOCAL REGIONS AND CHAPTERS-AT-LARGE

Assets and liabilities of local regions and chapters-at-large are presented in the statement of financial position as of December 31, 2015 in the following classifications:

| | |
|---|---|
| Assets | |
| Cash and cash equivalents | $ 537,666 |
| Property and equipment, net | 122,090 |
| Prepaid expenses and other assets | 76,393 |
| | $ 736,149 |
| Liabilities | |
| Accounts payable and accrued expenses | $ 249,106 |

Not included in the above accounts payable and accrued expenses are the payroll reimbursements payable by the local regions and chapters-at-large to the national office of $83,580, which was eliminated against the receivables reported by the national office as of December 31, 2015.

Local regions and chapters-at-large expenses are reported on the statement of functional expenses, and consist of the following for the year ended December 31, 2015:

| | |
|---|---|
| Salaries and related benefits | $ 567,755 |
| Occupancy | 180,323 |
| Office expense | 236,402 |
| Other | 328,396 |
| | $ 1,312,876 |

Depreciation expense of $4,513 from local regions and chapters-at-large was included in depreciation and amortization expense on the statement of functional expenses.

## 15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS

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

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

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

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

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

## 15 - ENDOWMENT AND BOARD-DESIGNATED FUNDS (Continued)

The Organization's endowment net assets had the following activity for the year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, January 1, 2015 | $ 732,872 | $ 4,627,736 | $ 4,954,923 | $ 10,315,531 |
| Investment return | | | | |
| Investment income | 3,803 | 26,811 | - | 30,614 |
| Investment fee | (2,670) | (18,825) | - | (21,495) |
| Real estate partnership income | - | 395,796 | - | 395,796 |
| Net change in asset value (realized and unrealized) | (9,102) | (64,169) | - | (73,271) |
| Total investment return (loss) | (7,969) | 339,613 | - | 331,644 |
| Contributions | 35,844 | 201,156 | 157,055 | 394,055 |
| Appropriation of endowment assets for expenditure | (135,104) | (64,281) | - | (199,385) |
| Changes in net assets | (107,229) | 476,488 | 157,055 | 526,314 |
| Endowment net assets, December 31, 2015 | $ 625,643 | $ 5,104,224 | $ 5,111,978 | $ 10,841,845 |

## 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."

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.

**16 - CONTINGENCIES** (Continued)

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, ORT management has concluded that some probable loss will result from the lawsuit and ORT has accrued approximately $461,000 on the basis that such loss, while still being contested by ORT, is probable.

**17 - GRANTS PAYABLE, WORLD ORT**

As of December 31, 2015, the Organization has received $751,923 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 $9,310,971 (stated at net present value) to be received from a donor for the Anieres Program will be transferred to World ORT when collected.

**18 - RELATED PARTY TRANSACTIONS**

On October 10, 2011, ORT and Women's American ORT Foundation ("WAOF") entered into an exclusive license agreement as part of the trademark assignment and option agreement entered into by both parties on the same day. WAOF granted ORT the rights to continue to use the "ORT" trademark in its daily activities in exchange for a license fee. ORT is to pay WAOF a three percent royalty fee based on all gross donations received by ORT in the United States of America, with the annual royalty fee not to exceed $170,000 and not to be less than $84,000. The term of the license agreement is for ninety-nine years, unless terminated earlier by either party as stipulated in the agreement. ORT recognized $170,000 of royalty fees in the year ended December 31, 2015, which is included in miscellaneous expenses on the statement of functional expenses.

WAOF reimburses ORT for certain audit and accounting services. Reimbursements of $99,676 were received by ORT in the year ended December 31, 2015 and are included in miscellaneous revenue on the statement of activities.

ORT received $403,242 in contributions from WAOF for the year ended December 31, 2015.

**19 - GAIN ON SALE OF PROPERTY**

On August 18, 2015, the Organization sold a building in Philadelphia, Pennsylvania, for $1,000,000, realizing a gain of approximately $941,000.