

DOROT, Inc.

Financial Statements

June 30, 2019 and 2018

DOROT, Inc.

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Independent Auditors' Report

To the Board of Directors of
DOROT, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of DOROT, Inc., (DOROT), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DOROT as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Melville, New York
November 12, 2019

DOROT, Inc.

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 891,644	\$ 928,949
Investments	18,808,473	19,896,762
Pledges and grants receivable	1,274,646	1,443,709
Accounts receivable	33,826	34,276
Prepaid expenses and other assets	146,202	41,332
	<hr/>	<hr/>
Total current assets	21,154,791	22,345,028
Security Deposits	36,266	8,266
Pledges and Grants Receivable, Long-Term, Net	1,168,690	900,000
Investments, Perpetual Endowment	1,198,794	1,198,794
Property and Equipment, Net	2,378,147	2,413,358
	<hr/>	<hr/>
Total assets	<u>\$ 25,936,688</u>	<u>\$ 26,865,446</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 238,678	\$ 166,923
Accrued vacation pay	240,007	239,656
Current portion of charitable gift annuities and trusts	26,556	26,971
	<hr/>	<hr/>
Total current liabilities	505,241	433,550
Charitable Gift Annuities and Trusts, Long-Term	86,773	94,793
	<hr/>	<hr/>
Total liabilities	592,014	528,343
Net Assets		
Net assets without donor restrictions	19,172,370	19,761,258
Net assets with donor restrictions	6,172,304	6,575,845
	<hr/>	<hr/>
Total net assets	25,344,674	26,337,103
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Total liabilities and net assets	<u>\$ 25,936,688</u>	<u>\$ 26,865,446</u>

See notes to financial statements

DOROT, Inc.Statement of Activities and Change in Net Assets
Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019	2018
Public Support and Revenue				
Private gifts and grants	\$ 4,194,001	\$ 845,690	\$ 5,039,691	\$ 5,374,742
Bequests and legacies	1,061,343	-	1,061,343	1,638,049
Government grants	100,466	-	100,466	62,433
UJA/Federation of Jewish Philanthropies of New York, Inc.	38,450	453,616	492,066	438,332
Special event revenue, net of direct expenses of \$52,845 and \$97,334, respectively	278,720	-	278,720	330,636
Donated goods and services	348,229	-	348,229	264,521
Rental and other income	3,595	-	3,595	6,400
Investment revenue, net	950,798	-	950,798	658,593
Net assets released from donor restrictions	1,702,847	(1,702,847)	-	-
Total public support and revenue	8,678,449	(403,541)	8,274,908	8,773,706
Expenses				
Program services:				
Socialization services	2,517,811	-	2,517,811	2,034,872
Concrete services	2,401,890	-	2,401,890	2,277,936
Education services	1,078,949	-	1,078,949	992,274
Community services	1,654,977	-	1,654,977	1,404,146
Total program services	7,653,627	-	7,653,627	6,709,228
Supporting services:				
Management and general	967,260	-	967,260	798,892
Fundraising	646,450	-	646,450	669,211
Total supporting services	1,613,710	-	1,613,710	1,468,103
Total expenses	9,267,337	-	9,267,337	8,177,331
Change in net assets	(588,888)	(403,541)	(992,429)	596,375
Net Assets, Beginning of Year	19,761,258	6,575,845	26,337,103	25,740,728
Net Assets, End of Year	\$ 19,172,370	\$ 6,172,304	\$ 25,344,674	\$ 26,337,103

See notes to financial statements

DOROT, Inc.Statement of Activities and Change in Net Assets
Year Ended June 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support and Revenue			
Private gifts and grants	\$ 3,327,042	\$ 2,047,700	\$ 5,374,742
Bequests and legacies	1,638,049	-	1,638,049
Government grants	62,433	-	62,433
UJA/Federation of Jewish Philanthropies of New York, Inc.	72,610	365,722	438,332
Special event revenue, net of direct expenses of \$97,334	330,636	-	330,636
Donated goods and services	264,521	-	264,521
Rental and other income	6,400	-	6,400
Investment revenue, net	658,593	-	658,593
Net assets released from donor restrictions	1,603,899	(1,603,899)	-
Total public support and revenue	7,964,183	809,523	8,773,706
Expenses			
Program services:			
Socialization services	2,034,872	-	2,034,872
Concrete services	2,277,936	-	2,277,936
Education services	992,274	-	992,274
Community services	1,404,146	-	1,404,146
Total program services	6,709,228	-	6,709,228
Supporting services:			
Management and general	798,892	-	798,892
Fundraising	669,211	-	669,211
Total supporting services	1,468,103	-	1,468,103
Total expenses	8,177,331	-	8,177,331
Change in net assets	(213,148)	809,523	596,375
Net Assets, Beginning of Year	19,974,406	5,766,322	25,740,728
Net Assets, End of Year	\$ 19,761,258	\$ 6,575,845	\$ 26,337,103

See notes to financial statements

DOROT, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Socialization Services	Concrete Services	Education Services	Community Services	Total Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries and payroll taxes	\$ 1,654,657	\$ 1,235,889	\$ 698,498	\$ 1,094,645	\$ 4,683,689	\$ 500,976	\$ 332,697	\$ 5,517,362	\$ 4,972,082
Employee benefits	159,236	118,936	67,220	105,343	450,735	48,212	32,017	530,964	419,536
Telephone	8,034	7,761	18,858	3,241	37,894	1,698	974	40,566	45,549
Postage and printing	56,447	42,161	23,828	37,342	159,778	17,090	95,925	272,793	275,313
Transportation	15,334	11,453	6,473	10,144	43,404	4,656	2,373	50,433	54,948
Client food and delivery	4,508	304,930	10	8,777	318,225	-	-	318,225	301,920
Supplies and equipment	39,038	29,158	16,480	25,826	110,502	11,819	7,849	130,170	108,914
Repairs and maintenance	46,214	34,518	19,509	30,573	130,814	13,992	9,292	154,098	168,946
Site rental	46,085	161,961	18,852	29,504	256,402	16,188	2,956	275,546	137,418
Outside services	185,610	138,635	78,354	122,791	525,390	56,197	107,961	689,548	491,284
Community outreach	35,801	26,741	15,113	23,685	101,340	10,840	7,198	119,378	115,310
Staff development and training	50,790	37,937	21,441	33,601	143,769	15,378	10,211	169,358	186,994
Utilities	22,216	16,594	9,378	14,697	62,885	6,726	4,466	74,077	82,067
Insurance	35,580	26,575	15,020	23,538	100,713	10,772	7,154	118,639	104,262
Service fees and other	17,217	12,860	7,268	11,390	48,735	5,496	1,100	55,331	54,623
Donated goods and services	20,298	105,594	11,675	-	137,567	210,662	-	348,229	264,521
Subtotal before depreciation	2,397,065	2,311,703	1,027,977	1,575,097	7,311,842	930,702	622,173	8,864,717	7,783,687
Depreciation	120,746	90,187	50,972	79,880	341,785	36,558	24,277	402,620	393,644
Total expenses	<u>\$ 2,517,811</u>	<u>\$ 2,401,890</u>	<u>\$ 1,078,949</u>	<u>\$ 1,654,977</u>	<u>\$ 7,653,627</u>	<u>\$ 967,260</u>	<u>\$ 646,450</u>	<u>\$ 9,267,337</u>	<u>\$ 8,177,331</u>

See notes to financial statements

DOROT, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

	Socialization Services	Concrete Services	Education Services	Community Services	Total Program Services	Management and General	Fundraising	Total
Salaries and payroll taxes	\$ 1,341,468	\$ 1,203,741	\$ 645,376	\$ 944,198	\$ 4,134,783	\$ 451,465	\$ 385,834	\$ 4,972,082
Employee benefits	113,191	101,569	54,456	79,670	348,886	38,094	32,556	419,536
Telephone	5,792	9,021	24,077	3,772	42,662	1,963	924	45,549
Postage and printing	53,062	47,614	25,528	37,348	163,552	17,858	93,903	275,313
Transportation	15,091	13,542	7,260	10,622	46,515	5,079	3,354	54,948
Client food and delivery	2,761	292,511	81	6,567	301,920	-	-	301,920
Supplies and equipment	31,749	28,490	15,274	22,347	97,860	10,685	369	108,914
Repairs and maintenance	45,582	40,902	21,929	32,083	140,496	15,340	13,110	168,946
Site rental	3,250	126,663	1,401	2,049	133,363	4,055	-	137,418
Outside services	125,236	112,378	60,251	88,148	386,013	42,148	63,123	491,284
Community outreach	30,148	27,052	14,504	21,220	92,924	10,146	12,240	115,310
Staff development and training	50,451	45,271	24,272	35,510	155,504	16,979	14,511	186,994
Utilities	22,142	19,868	10,652	15,585	68,247	7,452	6,368	82,067
Insurance	28,130	25,242	13,533	19,799	86,704	9,467	8,091	104,262
Service fees and other	14,883	13,356	7,160	10,475	45,874	4,468	4,281	54,623
Donated goods and services	45,731	75,415	15,425	-	136,571	127,950	-	264,521
Subtotal before depreciation	1,928,667	2,182,635	941,179	1,329,393	6,381,874	763,149	638,664	7,783,687
Depreciation	106,205	95,301	51,095	74,753	327,354	35,743	30,547	393,644
Total expenses	<u>\$ 2,034,872</u>	<u>\$ 2,277,936</u>	<u>\$ 992,274</u>	<u>\$ 1,404,146</u>	<u>\$ 6,709,228</u>	<u>\$ 798,892</u>	<u>\$ 669,211</u>	<u>\$ 8,177,331</u>

See notes to financial statements

DOROT, Inc.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (992,429)	\$ 596,375
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	402,620	393,644
Realized and unrealized gain on investments, net	(485,867)	(261,409)
Change in charitable gift annuities and trusts liability	(8,435)	(11,445)
Discount on pledges and grants receivable	81,310	-
(Increase) decrease in current assets:		
Pledges and grants receivable	(180,937)	(821,494)
Accounts receivable	450	(25,611)
Prepaid expenses and other assets	(104,870)	12,405
Security deposits	(28,000)	-
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	71,755	(57,081)
Accrued vacation pay	351	4,793
Net cash flows from operating activities	<u>(1,244,052)</u>	<u>(169,823)</u>
Cash Flows from Investing Activities		
Additions to property and equipment	(367,409)	(161,443)
Purchase of investments	(5,938,922)	(8,771,135)
Proceeds from the sale and maturity of investments	<u>7,513,078</u>	<u>7,954,722</u>
Net cash flows from investing activities	<u>1,206,747</u>	<u>(977,856)</u>
Net decrease in cash and cash equivalents	(37,305)	(1,147,679)
Cash and Cash Equivalents, Beginning of Year	<u>928,949</u>	<u>2,076,628</u>
Cash and Cash Equivalents, End of Year	<u>\$ 891,644</u>	<u>\$ 928,949</u>

See notes to financial statements

1. Description of Organization and Summary of Significant Accounting Policies**Nature of Operations**

DOROT, Inc. (DOROT) alleviates social isolation among the elderly and provides services to help them live independently as valued members of the community. DOROT provides in-person services in New York City and Westchester County, but serves seniors beyond our catchment area with our University Without Walls program. Included within the programs service centers are:

Socialization Services which connect seniors to their peers and younger generations to enhance their quality of life, reduce social isolation and create bonds to the larger community. Friendly Visiting matches homebound seniors with volunteers ranging in age from 18 to 89 for weekly visits in the seniors' homes; the average length of match is 37 months. Cemetery Visits recruits and trains volunteers to escort homebound and frail older adults to area cemeteries, to visit the graves of their loved ones. Door to Door enables frail and homebound elderly to access medical care, food and other needs by providing trained staff and volunteers to escort them to their appointments. DOROT Westchester offers volunteer visiting and educational services to homebound Westchester residents. Through House Calls, a trained geriatrician visits frail seniors in their homes, offering high quality medical care. Lasting Impressions offers seniors the opportunity to create their legacy in the form of an ethical will, memoir, art project, or video/audio interview; and helps those interested compose advance care plans.

Concrete Services that help older adults live independently in the community, which includes the provision of home-delivered meals, on-site health and wellness classes, holiday packages and visits by volunteers. Kosher Meals for the Homebound delivers nutritious frozen meals each week to seniors who can no longer easily shop or cook for themselves; the Emergency Meals component provides meals to seniors immediately after discharge from a hospital. The Wellness Program for Seniors encourages the elderly to take an active role in their own health, offering on-site classes to improve their strength and balance, and informational sessions about nutrition and health. The Homelessness Prevention Program (HPP) provides safe transitional housing, and food, and relocates homeless seniors into affordable permanent homes. The Aftercare Program of the HPP provides meals and ongoing counseling to at-risk older adults, ensuring that they do not become homeless again.

Education Services which alleviate isolation by enabling older adults, caregivers and professionals to participate in classes and support groups and obtain information about relevant services. University Without Walls offers educational and cultural courses, support groups and holiday celebrations via teleconference to homebound elders. Russian University Without Walls offers Russian-speaking, homebound seniors continuing education and ESL classes through teleconference, easing loneliness and isolation, and helping them integrate into American life. To Your Health offers health and wellness courses and support groups to seniors and their caregivers. Through Information and Referral, DOROT staff and trained volunteers provide guidance to seniors, caregivers and professionals about available services at DOROT, and in New York City and beyond.

Community Services which alleviate social isolation and bring the generations together in mutually supportive and beneficial relationships and enriching programs. Volunteers deliver holiday packages and meals to seniors; escort seniors to cultural events; teach them how to communicate by email and access the Internet; and facilitate teleconference classes and support groups. Teen and college volunteers shop for seniors and participate in intergenerational art and music workshops. Volunteers receive ongoing support and training from staff, while they make new friends and contribute to building a better community.

Basis of Accounting

The financial statements of DOROT have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting (U.S. GAAP).

Revenue Recognition

DOROT derives its revenue from, among other sources, contributions and grants from individuals and foundations, general fundraising, special events and governmental agencies. DOROT recognizes revenue from bequests when a legally binding obligation is received and when a fair value can reasonably be determined.

Donor-Imposed Restrictions

DOROT reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from donor restrictions. Donor restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

DOROT reports gifts of land, buildings and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, DOROT reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Pledges and Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions have been substantially met. As of June 30, 2019, DOROT had a conditional pledge for a matching grant (see Note 4).

Net Assets

DOROT reports information regarding its financial position and activities in the following classes of net assets which are as follows:

Net Assets Without Donor Restrictions - Net assets which are not donor restricted and are available for use for the general operating activities and objectives of DOROT. The class includes board-designated net assets, which are net assets without donor restrictions that have been designated for specific programs and general reserves by the board of directors.

Net Assets With Donor Restrictions - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of DOROT. Also includes net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit DOROT to utilize earnings as specified by donors.

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Cash and Cash Equivalents

Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less, except for cash and cash equivalents included in investments.

Allowance for Doubtful Accounts

Management must make estimates of the uncollectability of all accounts, pledges and grants receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts. DOROT determined an allowance for doubtful accounts was not required as of June 30, 2019 and 2018.

Property and Equipment

Property and equipment are capitalized at cost when acquired. Individual purchases over \$500 are depreciated on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. Donated fixed assets are recorded at fair value at the date of donation.

Investments

Investments are recorded at fair value based upon quoted market prices, except for certificates of deposit and money market accounts which are recorded based upon original investment plus accrued interest.

Fair Value

DOROT uses fair value to measure assets and liabilities. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts.

Donated Services and Materials

DOROT receives goods, principally food, office space and promotional materials, and professional services, which consisted of 124 hours and 102 hours in 2019 and 2018, respectively, in support of its activities. Such goods and services are recorded as in-kind contributions and expensed or capitalized at their fair values as determined by donors. For the years ended June 30, 2019 and 2018, DOROT recorded donated goods and services in the amount of \$348,229 and \$264,521, respectively.

DOROT relies extensively upon the utilization of volunteers to carry out its program and supporting services. Management estimates that volunteers contributed approximately 61,000 hours during the 2019 fiscal year and 54,000 hours during the 2018 fiscal year, respectively. Because these services do not meet the recognition criteria under U.S. GAAP, the value of these contributions is not recorded, although they constituted a significant factor in the operation of DOROT.

Tax-Exempt Status

DOROT qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. DOROT is classified as a publicly supported organization described in Section 509(a)(1); therefore, DOROT qualifies for the maximum charitable contribution deductions for donors.

Uncertain Tax Positions

Management has evaluated DOROT's tax positions and concluded that DOROT has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of DOROT. Some of the expenses are directly identified to their related programs or supporting functions and are recorded accordingly. Expenses not directly charged to programs are allocated based on estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events

Management has evaluated subsequent events through November 12, 2019, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

Recent Accounting Pronouncements

During August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. DOROT was required to adopt ASU 2016-14 in 2019, and has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of DOROT's financial statements:

- (a) The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- (b) The permanently restricted and temporarily restricted net asset classes have been combined and renamed Net Assets With Donor Restrictions;
- (c) The financial statements include a disclosure about liquidity and availability of resources (Note 2);
- (d) Expenses are reported by both nature and function, and the disclosure of specific methodologies used to allocate costs among program and support functions is provided.
- (e) Endowment disclosures included in Note 7 have been updated.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for DOROT for fiscal years beginning after December 15, 2018. Management has concluded that the adoption of ASU 2014-09 will not materially impact DOROT's financial statements.

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for DOROT for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of ASU 2016-02 on DOROT's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for DOROT for fiscal years beginning after December 15, 2018. ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-18 on DOROT's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for DOROT for the fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on DOROT's financial statements.

2. Liquidity and Availability of Resources

DOROT's financial assets available within one year of the statements of financial position date for general expenditures such as operating expenses and fixed asset purchases not financed with debt financing are as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 891,644	\$ 928,949
Investments, current portion	18,808,473	19,896,762
Accounts receivable	33,826	34,276
Pledges and grants receivable, current portion	1,274,646	1,443,709
Total financial assets	21,008,589	22,303,696
Less board-designated	1,594,463	1,594,463
Less donor restricted amounts	4,973,510	5,377,051
Less annuity obligations	113,329	121,764
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,327,287</u>	<u>\$ 15,210,418</u>

As part of DOROT's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. DOROT's main source of liquidity is private gifts and grants. Although investments are available for expenditure, it is not DOROT's intention to use investments for operating purposes.

DOROT, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

3. Pledges and Grants Receivable

Pledges and grants receivable are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
One year	\$ 1,274,646	\$ 1,443,709
Two to five years	1,250,000	900,000
Less discount to net present value	<u>81,310</u>	<u>-</u>
Total pledges and grants receivable	<u>\$ 2,443,336</u>	<u>\$ 2,343,709</u>

Amounts that are expected to be collected after one year have been discounted at rates ranging from 1.71 percent to 2.52 percent as of June 30, 2019. For the year ended June 30, 2018, the present value calculated utilizing the discount rate applicable to each individual unconditional promise to give was insignificant to the financial statements and was not recorded in the financial statements.

4. Conditional Grant

DOROT received a conditional grant on June 20, 2018 with a matching provision to be used for marketing and technology improvements. For every \$2 DOROT raises, the donor will donate \$1, up to a maximum of \$250,000. The grant agreement terminates in September of 2020. As of June 30, 2019, \$350,000 was raised and a \$175,000 contribution was made. No funds were raised for this grant as of June 30, 2018, and therefore, no contribution was recorded during the year ended June 30, 2018.

5. Investments and Fair Value

Investments consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 216,345	\$ 60,475
Money markets	2,339	-
U.S. government obligations	536,412	389,024
Certificates of deposit	11,712,946	13,326,536
Municipal obligations	145,906	156,589
Equity exchange traded funds	30,732	114,681
Mutual funds:		
Domestic funds	5,462,118	4,829,019
Global funds	1,546,511	2,178,580
Corporate bonds	301,728	-
Other	<u>52,230</u>	<u>40,652</u>
Total	<u>\$ 20,007,267</u>	<u>\$ 21,095,556</u>
Consisting of:		
Operations and board designation	\$ 18,808,473	\$ 19,896,762
Restricted for perpetual endowment	<u>1,198,794</u>	<u>1,198,794</u>
Total	<u>\$ 20,007,267</u>	<u>\$ 21,095,556</u>

Cash and cash equivalents, money markets and certificates of deposit are excluded from the fair value hierarchy.

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that DOROT has access to.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from and corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology were unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

U.S. government obligations, corporate bonds and equity exchange traded funds are valued based on prices on the exchanges on which they are traded.

Municipal obligations are valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds are valued at the daily closing price as reported by the fund. These are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to establish their daily net asset value and to transact at that price. These funds are deemed to be actively traded.

DOROT, Inc.

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The following tables present the fair value hierarchy for assets of DOROT measured at fair value as of June 30, 2019 and 2018:

	Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 536,412	\$ -	\$ -	\$ 536,412
Municipal obligations	-	145,906	-	145,906
Equity exchange traded funds	30,732	-	-	30,732
Mutual funds, domestic equities	5,462,118	-	-	5,462,118
Mutual funds, global equities	1,546,511	-	-	1,546,511
Corporate bonds	301,728	-	-	301,728
Other	52,230	-	-	52,230
Total	\$ 7,929,731	\$ 145,906	\$ -	\$ 8,075,637

	Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 389,024	\$ -	\$ -	\$ 389,024
Municipal obligations	-	156,589	-	156,589
Equity exchange traded funds	114,681	-	-	114,681
Mutual funds, domestic equities	4,829,019	-	-	4,829,019
Mutual funds, global equities	2,178,580	-	-	2,178,580
Other	40,652	-	-	40,652
Total	\$ 7,551,956	\$ 156,589	\$ -	\$ 7,708,545

Investment revenue consists of the following as of June 30:

	2019	2018
Interest and dividend income	\$ 464,931	\$ 397,184
Investment gain (net of fees of \$5,048 and \$9,510, respectively)	485,867	261,409
Investment revenue, net	\$ 950,798	\$ 658,593

6. Property and Equipment, Net

Property and equipment, net, consists of the following as of June 30:

	2019	2018
Land	\$ 315,000	\$ 315,000
Building and building improvements	7,441,195	7,425,472
Furniture, fixtures and equipment	1,640,337	1,288,651
	9,396,532	9,029,123
Less accumulated depreciation	7,018,385	6,615,765
	\$ 2,378,147	\$ 2,413,358

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

7. Donor Restricted Endowment and Net Assets with Donor Restrictions

DOROT has a donor restricted endowment and net assets with donor restrictions. The following apply to the donor restricted endowment:

Interpretation of relevant law - The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA). DOROT has interpreted NYPMIFA as requiring the preservation of the original value of a gift for gifts received prior to September 17, 2010, absent donor stipulations to the contrary, and for post September 17, 2010 gifts, as allowing DOROT to appropriate for expenditure or accumulate earnings as DOROT determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, DOROT has classified as net assets with donor restrictions the original value of gifts donated to the endowment. The remaining portion of the donor restricted endowment fund that is not required to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by DOROT and, if purpose restricted, spent for the applicable purpose.

Spending policy - DOROT may spend earnings from the endowment fund annually to fund programs specified by the donors, or, if no purpose is specified, to fund operations.

Endowment investment policy - DOROT has adopted an investment policy for endowment assets that attempts to provide a predictable stream of returns that can be utilized toward operating programs, while seeking to maintain the purchasing power of the endowment assets. Each endowment is maintained in a separate investment account.

The following represents the composition of endowment net assets by fund type as of June 30, 2019:

	<u>Original Gift</u>	<u>Accumulated Gains</u>	<u>Total</u>
Board-designated endowment funds	<u>\$ 1,594,463</u>	<u>\$ -</u>	<u>\$ 1,594,463</u>
Donor restricted endowment funds	<u>\$ 1,198,794</u>	<u>\$ -</u>	<u>\$ 1,198,794</u>

The changes in endowment net assets were as follows for the year ended June 30, 2019:

	<u>Board-Designated</u>	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,594,463	\$ 1,198,794
Investment income	38,586	27,168
Transfer to net assets without donor restrictions	(38,586)	-
Appropriations	-	(27,168)
Endowment net assets, end of year	<u>\$ 1,594,463</u>	<u>\$ 1,198,794</u>

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

The following represents the composition of endowment net assets by fund type as of June 30, 2018:

	<u>Original Gift</u>	<u>Accumulated Gains</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,594,463	\$ -	\$ 1,594,463
Endowment funds	\$ 1,198,794	\$ -	\$ 1,198,794

The changes in endowment net assets were as follows for the year ended June 30, 2018:

	<u>Board-Designated</u>	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 1,594,463	\$ 1,198,794
Investment income	32,208	13,679
Transfer to net assets without donor restrictions	(32,208)	-
Appropriations	-	(13,679)
Endowment net assets, end of year	<u>\$ 1,594,463</u>	<u>\$ 1,198,794</u>

The composition of net assets restricted in perpetuity was as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Ullendorf Memorial Foundation Afternoon Concerts with Friends	\$ 300,000	\$ 300,000
The Bella and Harry Wexner Endowment	180,000	180,000
The Polonsky Family Emergency Fund of DOROT	202,387	202,387
The S. Begun Special Meal Program Endowment	516,407	516,407
Total	<u>\$ 1,198,794</u>	<u>\$ 1,198,794</u>

The composition of board-designated endowment net assets as of June 30:

	<u>2019</u>	<u>2018</u>
Cash Relief Fund	\$ 157,505	\$ 157,505
Friendly Visiting Program	45,000	45,000
Homelessness Prevention Program	200,000	200,000
Merrin Institute	180,000	180,000
General Operating	347,300	347,300
Kosher Meals for the Homebound	25,453	25,453
Chanukah Package Delivery	87,435	87,435
Simcha Fund	90,000	90,000
Tu-Bshevat	5,653	5,653
University Without Walls	456,117	456,117
	<u>\$ 1,594,463</u>	<u>\$ 1,594,463</u>

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted for the following as of June 30:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Homelessness Prevention Program	\$ 132,000	\$ 250,000
Homelessness Prevention Program Reserve	1,977,629	2,328,007
Kosher Meals for the Homebound	500,000	782,500
Partners in Caring	71,250	82,500
DOROT, Westchester Program	600	6,600
Friendly Visiting Program	208,000	349,500
Friendly Visiting Program, Holocaust	52,500	-
University Without Walls	60,000	115,000
Reserve for Building Maintenance	108,590	108,590
Health and Wellness	-	12,500
Health and Wellness Reserve	-	42,557
Volunteer and Youth Services	3,000	58,000
Volunteer and Service Enterprise	150,000	128,700
Volunteer and Jewish Learning	16,250	18,406
Lasting Impressions	832,690	-
Miriam and Jerome Katzin Memorial Fund for Innovation at DOROT	473,685	538,685
House Calls	-	111,490
Sunday and Evening Programs	-	50,000
Kol DOROT, a DOROT Program Funded in Memory of Miriam Katzin	210,000	245,000
Unspent appropriated endowment earnings	3,200	3,200
	<u>4,799,394</u>	<u>5,231,235</u>
Total purpose restricted		
Endowment held in perpetuity	1,198,794	1,198,794
Time restricted, general support	174,116	145,816
	<u>1,372,910</u>	<u>1,344,610</u>
Total net assets with donor restrictions	<u>\$ 6,172,304</u>	<u>\$ 6,575,845</u>

DOROT, Inc.

Notes to Financial Statements

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During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Homelessness Prevention Program	\$ 118,000	\$ 66,000
Homelessness Prevention Program Reserve	350,378	355,773
Kosher Meals for the Homebound	292,500	285,000
Health and Wellness	12,500	-
Health and Wellness Reserve	42,557	107,688
Volunteer and Service Enterprise	128,700	117,000
Volunteer and Jewish Learning	18,406	17,300
Strategic Services	-	15,000
Hand and Hand	-	9,000
Kol DOROT, a DOROT Program Funded in Memory of Miriam Katzin	35,000	35,000
Miriam and Jerome Katzin Memorial Fund for Innovation at DOROT	65,000	56,223
House Calls	111,490	109,305
Sunday and Evening Programs	50,000	-
Partners in Caring	75,000	75,000
DOROT - Westchester Program	6,000	15,960
Friendly Visiting Program	141,500	129,000
University Without Walls	55,000	63,334
Volunteer and Youth Services	55,000	1,500
	<u>1,557,031</u>	<u>1,458,083</u>
Total purpose restricted		
	1,557,031	1,458,083
Time restricted, general support	<u>145,816</u>	<u>145,816</u>
Total net assets released from donor restrictions	<u>\$ 1,702,847</u>	<u>\$ 1,603,899</u>

9. Charitable Gift Annuities and Trusts

DOROT has a gift annuity and trust program. Under this program, the gift annuity liability is recorded at the present value of the estimated future payments expected to be made to the gift annuitant. As of June 30, 2019 and 2018, the gift annuity liability amounted to \$113,329 and \$121,764, respectively.

10. Pension

A defined contribution plan, as defined by Internal Revenue Code Section 403(b), is offered to all full-time employees of DOROT. DOROT's contributions to the Plan are discretionary. For the years ended June 30, 2019 and 2018, the expense associated with the Plan totaled \$153,859 and \$140,377, respectively.

DOROT, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

11. Allocation of Joint Costs

During the years ended June 30, 2019 and 2018, DOROT incurred joint costs for informational materials and activities that included fundraising appeals. Such costs were allocated as follows for the years ended:

	<u>2019</u>	<u>2018</u>
Programs	\$ 192,965	\$ 184,902
Management and general	16,267	16,789
Fundraising	<u>176,697</u>	<u>168,111</u>
Total	<u>\$ 385,929</u>	<u>\$ 369,802</u>

12. Concentrations of Credit Risk

DOROT's financial instruments that are potentially exposed to concentrations of credit risk consist principally of cash, cash equivalents, receivables and investments. DOROT places its cash and cash equivalents with what it believes to be qualified financial institutions. DOROT routinely assesses the collectability of its pledges and grants receivable. At times, certain of DOROT's cash balances exceeded the FDIC insurance limit. DOROT invests primarily in securities issued by the U.S. Government and municipal obligations, certificates of deposit, and mutual funds. Investments are exposed to various risks such as interest rate, market volatility, credit and liquidity risks. Due to the level of uncertainty related to changes in interest rates, market volatility, credit and liquidity risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statements of financial position. DOROT believes its concentration of credit risk with respect to its cash, cash equivalents, receivables and investments is limited.