

DOROT, Inc.

Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 US, LLP

Melville, New York
November 18, 2020

DOROT, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,598,618	\$ 891,644
Investments	19,352,233	18,808,473
Pledges and grants receivable	1,863,299	1,274,646
Accounts receivable	30,593	33,826
Prepaid expenses and other assets	126,001	146,202
	<hr/>	<hr/>
Total current assets	22,970,744	21,154,791
Security Deposits	36,266	36,266
Pledges and Grants Receivable, Long-Term, Net	738,731	1,168,690
Investments, Perpetual Endowment	1,198,794	1,198,794
Property and Equipment, Net	2,515,347	2,378,147
	<hr/>	<hr/>
Total assets	<u>\$ 27,459,882</u>	<u>\$ 25,936,688</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 254,805	\$ 238,678
Accrued vacation pay	344,872	240,007
Current portion of charitable gift annuities and trusts	26,581	26,556
	<hr/>	<hr/>
Total current liabilities	626,258	505,241
Charitable Gift Annuities and Trusts, Long-Term	81,360	86,773
	<hr/>	<hr/>
Total liabilities	707,618	592,014
Net Assets		
Net assets without donor restrictions	21,295,560	19,172,370
Net assets with donor restrictions	5,456,704	6,172,304
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Total net assets	26,752,264	25,344,674
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Total liabilities and net assets	<u>\$ 27,459,882</u>	<u>\$ 25,936,688</u>

See notes to financial statements

DOROT, Inc.Statement of Activities and Change in Net Assets
Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020	2019
Public Support and Revenue				
Private gifts and grants	\$ 5,081,084	\$ 568,000	\$ 5,649,084	\$ 5,039,691
Bequests and legacies	5,068,952	-	5,068,952	1,061,343
Government grants	98,557	-	98,557	100,466
UJA/Federation of Jewish Philanthropies of New York, Inc.	107,375	207,625	315,000	492,066
Special event revenue, net of direct expenses of \$52,845 in 2019	11,200	-	11,200	278,720
Donated goods and services	280,648	-	280,648	348,229
Rental and other income	600	-	600	3,595
Investment revenue, net	526,793	22,276	549,069	950,798
Net assets released from donor restrictions	1,513,501	(1,513,501)	-	-
Total public support and revenue	12,688,710	(715,600)	11,973,110	8,274,908
Expenses				
Program services:				
Socialization services	2,870,330	-	2,870,330	2,517,811
Concrete services	2,601,292	-	2,601,292	2,401,890
Education services	1,276,724	-	1,276,724	1,078,949
Community services	2,039,058	-	2,039,058	1,654,977
Total program services	8,787,404	-	8,787,404	7,653,627
Supporting services:				
Management and general	987,714	-	987,714	967,260
Fundraising	790,402	-	790,402	646,450
Total supporting services	1,778,116	-	1,778,116	1,613,710
Total expenses	10,565,520	-	10,565,520	9,267,337
Change in net assets	2,123,190	(715,600)	1,407,590	(992,429)
Net Assets, Beginning	19,172,370	6,172,304	25,344,674	26,337,103
Net Assets, Ending	\$ 21,295,560	\$ 5,456,704	\$ 26,752,264	\$ 25,344,674

See notes to financial statements

DOROT, Inc.Statement of Activities and Change in Net Assets
Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support and Revenue			
Private gifts and grants	\$ 4,194,001	\$ 845,690	\$ 5,039,691
Bequests and legacies	1,061,343	-	1,061,343
Government grants	100,466	-	100,466
UJA/Federation of Jewish Philanthropies of New York, Inc.	38,450	453,616	492,066
Special event revenue, net of direct expenses of \$52,845	278,720	-	278,720
Donated goods and services	348,229	-	348,229
Rental and other income	3,595	-	3,595
Investment revenue, net	923,630	27,168	950,798
Net assets released from donor restrictions	1,730,015	(1,730,015)	-
Total public support and revenue	8,678,449	(403,541)	8,274,908
Expenses			
Program services:			
Socialization services	2,517,811	-	2,517,811
Concrete services	2,401,890	-	2,401,890
Education services	1,078,949	-	1,078,949
Community services	1,654,977	-	1,654,977
Total program services	7,653,627	-	7,653,627
Supporting services:			
Management and general	967,260	-	967,260
Fundraising	646,450	-	646,450
Total supporting services	1,613,710	-	1,613,710
Total expenses	9,267,337	-	9,267,337
Change in net assets	(588,888)	(403,541)	(992,429)
Net Assets, Beginning	19,761,258	6,575,845	26,337,103
Net Assets, Ending	\$ 19,172,370	\$ 6,172,304	\$ 25,344,674

See notes to financial statements

DOROT, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Socialization Services	Concrete Services	Education Services	Community Services	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries and payroll taxes	\$ 1,889,603	\$ 1,350,818	\$ 845,467	\$ 1,375,250	\$ 5,461,138	\$ 580,575	\$ 387,694	\$ 6,429,407	\$ 5,517,362
Employee benefits	185,788	132,814	83,127	135,216	536,945	57,083	38,118	632,146	530,964
Telephone	11,173	7,587	21,602	3,307	43,669	1,017	1,566	46,252	40,566
Postage and printing	67,875	48,522	30,369	49,399	196,165	20,854	111,237	328,256	272,793
Transportation	14,928	10,672	6,679	10,865	43,144	4,587	3,063	50,794	50,433
Client food and delivery	19,100	354,469	-	5,262	378,831	-	-	378,831	318,225
Supplies and equipment	42,906	30,672	19,197	31,227	124,002	13,183	8,803	145,988	130,170
Repairs and maintenance	54,194	38,742	24,248	39,442	156,626	16,651	11,119	184,396	154,098
Site rental	68,758	167,612	22,997	37,408	296,775	18,232	10,746	325,753	275,546
Outside services	221,951	158,666	99,308	161,536	641,461	68,194	164,453	874,108	689,548
Community outreach	24,043	17,188	10,758	17,499	69,488	7,387	4,933	81,808	119,378
Staff development and training	15,438	11,036	6,907	11,236	44,617	4,743	3,167	52,527	169,358
Utilities	21,160	15,127	9,468	15,400	61,155	6,501	4,341	71,997	74,077
Insurance	35,807	25,598	16,021	26,061	103,487	11,002	7,347	121,836	118,639
Service fees and other	16,745	11,970	7,492	12,187	48,394	5,142	3,436	56,972	55,331
Donated goods and services	32,794	113,950	6,834	-	153,578	127,070	-	280,648	348,229
Subtotal before depreciation	2,722,263	2,495,443	1,210,474	1,931,295	8,359,475	942,221	760,023	10,061,719	8,864,717
Depreciation	148,067	105,849	66,250	107,763	427,929	45,493	30,379	503,801	402,620
Total expenses	<u>\$ 2,870,330</u>	<u>\$ 2,601,292</u>	<u>\$ 1,276,724</u>	<u>\$ 2,039,058</u>	<u>\$ 8,787,404</u>	<u>\$ 987,714</u>	<u>\$ 790,402</u>	<u>\$ 10,565,520</u>	<u>\$ 9,267,337</u>

See notes to financial statements

DOROT, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	Socialization Services	Concrete Services	Education Services	Community Services	Total Program Services	Management and General	Fundraising	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
Employee benefits	159,236	118,936	67,220	105,343	450,735	48,212	32,017	530,964
Telephone	8,034	7,761	18,858	3,241	37,894	1,698	974	40,566
Postage and printing	56,447	42,161	23,828	37,342	159,778	17,090	95,925	272,793
Transportation	15,334	11,453	6,473	10,144	43,404	4,656	2,373	50,433
Client food and delivery	4,508	304,930	10	8,777	318,225	-	-	318,225
Supplies and equipment	39,038	29,158	16,480	25,826	110,502	11,819	7,849	130,170
Repairs and maintenance	46,214	34,518	19,509	30,573	130,814	13,992	9,292	154,098
Site rental	46,085	161,961	18,852	29,504	256,402	16,188	2,956	275,546
Outside services	185,610	138,635	78,354	122,791	525,390	56,197	107,961	689,548
Community outreach	35,801	26,741	15,113	23,685	101,340	10,840	7,198	119,378
Staff development and training	50,790	37,937	21,441	33,601	143,769	15,378	10,211	169,358
Utilities	22,216	16,594	9,378	14,697	62,885	6,726	4,466	74,077
Insurance	35,580	26,575	15,020	23,538	100,713	10,772	7,154	118,639
Service fees and other	17,217	12,860	7,268	11,390	48,735	5,496	1,100	55,331
Donated goods and services	20,298	105,594	11,675	-	137,567	210,662	-	348,229
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
Depreciation	120,746	90,187	50,972	79,880	341,785	36,558	24,277	402,620
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>

See notes to financial statements

DOROT, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,407,590	\$ (992,429)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	503,801	402,620
Realized and unrealized gain on investments, net	(128,070)	(485,867)
Change in charitable gift annuities and trusts liability	(5,388)	(8,435)
Change in discount on pledges and grants receivable	(66,041)	81,310
(Increase) decrease in current assets:		
Pledges and grants receivable	(92,653)	(180,937)
Accounts receivable	3,233	450
Prepaid expenses and other assets	20,201	(104,870)
Security deposits	-	(28,000)
Increase in operating liabilities:		
Accounts payable and accrued expenses	16,127	71,755
Accrued vacation pay	104,865	351
Net cash flows from operating activities	<u>1,763,665</u>	<u>(1,244,052)</u>
Cash Flows From Investing Activities		
Additions to property and equipment	(641,001)	(367,409)
Purchase of investments	(13,077,879)	(5,938,922)
Proceeds from the sale and maturity of investments	<u>12,662,189</u>	<u>7,513,078</u>
Net cash flows from investing activities	<u>(1,056,691)</u>	<u>1,206,747</u>
Net increase (decrease) in cash and cash equivalents	706,974	(37,305)
Cash and Cash Equivalents, Beginning	<u>891,644</u>	<u>928,949</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,598,618</u>	<u>\$ 891,644</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. 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, 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 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. 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**Contributions and Grants**

Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contribution or grant is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a 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 restrictions. Conditional promises to give are not included as support until the conditions are substantially met. Revenue from government grants is recognized when earned, generally by incurring qualifying expenses. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as conditions are achieved. 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 with donor restrictions.

Bequests are gifts made through a will or a living trust at the donor's death and are recorded at fair value at the date of gift, net of any fees, taxes and other direct expenses incurred in clearing DOROT's title to the gift or in converting the bequest to cash.

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.

Donated Goods and Services

DOROT receives goods, principally food, office space and promotional materials, and professional services, which consisted of 41 hours and 124 hours in 2020 and 2019, 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, 2020 and 2019, DOROT recorded donated goods and services in the amount of \$280,648 and \$348,229, respectively.

DOROT relies extensively upon the utilization of volunteers to carry out its program and supporting services. Management estimates that volunteers contributed approximately 54,000 hours during the 2020 fiscal year and 61,000 hours during the 2019 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.

Special Events Revenue

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contributions. Special event revenue is recognized at the time the event takes place. For the year ended June 30, 2020, there were no direct benefits to donors, as the event was cancelled. For the year ended June 30, 2019, there was a direct benefit to donors in the amount of \$52,845.

Rental Income

Rental income is recorded at the net realizable amount as it is earned. DOROT rents its auditorium space on an hourly rate basis.

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, 2020 and 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.

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, 2020 and 2019.

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.

Tax-Exempt Status

DOROT qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 18, 2020, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Reclassifications

Certain 2019 amounts have been reclassified to conform with the 2020 presentation. Such reclassifications had no effect on the reported changes in net assets.

Recent Accounting Pronouncements

In 2020, DOROT adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using the modified retrospective approach. 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. The adoption of ASU 2014-09 did not impact DOROT's revenue recognition methodology.

In 2020, DOROT adopted ASU 2018-08, *Contributions - Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance under ASU 2018-08 is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 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. The adoption of ASU 2018-08 did not impact DOROT's financial statements.

DOROT, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

In 2019, DOROT adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption standard changed the following aspects of DOROT's financial statements:

- (a) The unrestricted net asset class was renamed Net Assets Without Donor Restrictions.
- (b) The permanently and temporarily restricted net asset classes were combined into a single net asset class called Net Assets With Donor Restrictions.
- (c) The financial statements included 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 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, 2021. Management is currently evaluating the impact of ASU 2016-02 on DOROT's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently assessing the effect that ASU 2020-07 will have 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 dates for general expenditures such as operating expenses and fixed asset purchases not financed with debt financing are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,598,618	\$ 891,644
Investments, current portion	19,352,233	18,808,473
Accounts receivable	30,593	33,826
Pledges and grants receivable, current portion	1,863,299	1,274,646
Total financial assets	22,844,743	21,008,589
Less Board-designated	1,594,463	1,594,463
Less donor restricted amounts	4,257,910	4,973,510
Less annuity obligations	107,941	113,329
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,884,429</u>	<u>\$ 14,327,287</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, 2020 and 2019

3. Pledges and Grants Receivable

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

	<u>2020</u>	<u>2019</u>
Amounts due in:		
One year	\$ 1,863,299	\$ 1,274,646
Two to five years	754,000	1,250,000
Less discount to net present value	<u>15,269</u>	<u>81,310</u>
Total pledges and grants receivable	<u>\$ 2,602,030</u>	<u>\$ 2,443,336</u>

Amounts that are expected to be collected after one year have been discounted at rates ranging from .16 percent to .49 percent and 1.71 percent to 2.52 percent as of June 30, 2020 and 2019, respectively.

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 December 2020. During the year ended June 30, 2020, \$100,000 was raised and a \$50,000 contribution was made. As of June 30, 2019, \$350,000 was raised and a \$175,000 contribution was made.

5. Investments and Fair Value

Investments consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 634,811	\$ 216,345
Money markets	-	2,339
U.S. government obligations	3,342,709	536,412
Certificates of deposit	8,539,818	11,712,946
Municipal obligations	141,138	145,906
Equity exchange traded funds	-	30,732
Mutual funds:		
Domestic funds	6,895,260	5,462,118
Global funds	144,384	1,546,511
Corporate bonds	756,407	301,728
International bonds	52,130	-
Other	<u>44,370</u>	<u>52,230</u>
Total	<u>\$ 20,551,027</u>	<u>\$ 20,007,267</u>
Consisting of:		
Operations and Board-designation	\$ 19,352,233	\$ 18,808,473
Restricted for perpetual endowment	<u>1,198,794</u>	<u>1,198,794</u>
Total	<u>\$ 20,551,027</u>	<u>\$ 20,007,267</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, 2020 and 2019.

U.S. government obligations, corporate and international 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.Notes to Financial Statements
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The following tables present the fair value hierarchy for assets of DOROT measured at fair value as of June 30, 2020 and 2019:

	Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 3,342,709	\$ -	\$ -	\$ 3,342,709
Municipal obligations	-	141,138	-	141,138
Mutual funds, domestic funds	6,895,260	-	-	6,895,260
Mutual funds, global funds	144,384	-	-	144,384
Corporate bonds	756,407	-	-	756,407
International bonds	52,130	-	-	52,130
Other	44,370	-	-	44,370
Total	<u>\$ 11,235,260</u>	<u>\$ 141,138</u>	<u>\$ -</u>	<u>\$ 11,376,398</u>

	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 funds	5,462,118	-	-	5,462,118
Mutual funds, global funds	1,546,511	-	-	1,546,511
Corporate bonds	301,728	-	-	301,728
Other	52,230	-	-	52,230
Total	<u>\$ 7,929,731</u>	<u>\$ 145,906</u>	<u>\$ -</u>	<u>\$ 8,075,637</u>

Investment revenue consists of the following as of June 30:

	2020	2019
Interest and dividend income	\$ 420,999	\$ 464,931
Investment gain (net of fees of \$6,001 and \$5,048, respectively)	128,070	485,867
Investment revenue, net	<u>\$ 549,069</u>	<u>\$ 950,798</u>

6. Property and Equipment, Net

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

	2020	2019
Land	\$ 315,000	\$ 315,000
Building and building improvements	7,852,561	7,441,195
Furniture, fixtures and equipment	1,869,972	1,640,337
	10,037,533	9,396,532
Less accumulated depreciation	<u>7,522,186</u>	<u>7,018,385</u>
	<u>\$ 2,515,347</u>	<u>\$ 2,378,147</u>

DOROT, Inc.

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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, 2020:

	<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, 2020:

	<u>Board-Designated</u>	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning	\$ 1,594,463	\$ 1,198,794
Investment income	33,803	22,276
Transfer to net assets without donor restrictions	(33,803)	-
Appropriations	-	(22,276)
Endowment net assets, ending	<u>\$ 1,594,463</u>	<u>\$ 1,198,794</u>

DOROT, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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	\$ 1,594,463	\$ -	\$ 1,594,463
Donor restricted endowment funds	\$ 1,198,794	\$ -	\$ 1,198,794

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	\$ 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, ending	<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>2020</u>	<u>2019</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>2020</u>	<u>2019</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

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8. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Homelessness Prevention Program	\$ 199,000	\$ 132,000
Homelessness Prevention Program Reserve	1,567,895	1,977,629
Kosher Meals for the Homebound	275,000	500,000
Partners in Caring	6,375	71,250
DOROT, Westchester Program	600	600
Friendly Visiting Program	129,000	208,000
Friendly Visiting Program, Holocaust	5,250	52,500
University Without Walls	42,500	60,000
Reserve for Building Maintenance	108,590	108,590
Health and Wellness	12,500	-
Volunteer and Youth Services	3,000	3,000
Volunteer and Service Enterprise	42,625	150,000
Volunteer and Jewish Learning	5,000	16,250
Lasting Impressions	718,690	832,690
Miriam and Jerome Katzin Memorial Fund for Innovation at DOROT	408,685	473,685
Kol DOROT, a DOROT Program Funded in Memory of Miriam Katzin	175,000	210,000
Unspent appropriated endowment earnings	3,200	3,200
	<u>3,702,910</u>	<u>4,799,394</u>
Total purpose restricted	3,702,910	4,799,394
Endowment held in perpetuity	1,198,794	1,198,794
Time restricted, general support	555,000	174,116
	<u>1,753,794</u>	<u>1,372,910</u>
Total net assets with donor restrictions	<u>\$ 5,456,704</u>	<u>\$ 6,172,304</u>

DOROT, Inc.

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During 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Homelessness Prevention Program	\$ 66,000	\$ 118,000
Homelessness Prevention Program Reserve	409,734	350,378
Kosher Meals for the Homebound	260,000	292,500
Health and Wellness	-	12,500
Health and Wellness Reserve	-	42,557
Volunteer and Service Enterprise	135,000	128,700
Volunteer and Jewish Learning	11,250	18,406
Lasting Impressions	114,000	-
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	65,000
House Calls	-	111,490
Sunday and Evening Programs	-	50,000
Partners in Caring	64,875	75,000
DOROT, Westchester Program	-	6,000
Friendly Visiting Program	104,000	141,500
Friendly Visiting Program, Holocaust	47,250	-
University Without Walls	30,000	55,000
Volunteer and Youth Services	-	55,000
	<u>1,342,109</u>	<u>1,557,031</u>
Total purpose restricted		
Time restricted, general support	149,116	145,816
Appropriations	22,276	27,168
	<u>161,392</u>	<u>172,984</u>
Total net assets released from donor restrictions	<u>\$ 1,513,501</u>	<u>\$ 1,730,015</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, 2020 and 2019, the gift annuity liability amounted to \$107,941 and \$113,329, respectively.

10. Pension

A defined contribution plan, as defined by IRC 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, 2020 and 2019, the expense associated with the Plan totaled \$152,564 and \$153,859, respectively.

DOROT, Inc.

Notes to Financial Statements
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11. Allocation of Joint Costs

During the years ended June 30, 2020 and 2019, DOROT incurred joint costs for informational materials and activities that included fundraising appeals. Such costs were allocated as follows for the years ended:

	<u>2020</u>	<u>2019</u>
Programs	\$ 216,225	\$ 192,965
Management and general	19,525	16,267
Fundraising	<u>196,699</u>	<u>176,697</u>
Total	<u>\$ 432,449</u>	<u>\$ 385,929</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.