

**MIDWEST CENTER FOR
HOLOCAUST EDUCATION, INC.**

YEARS ENDED JUNE 30, 2009 AND 2008



HOUSE PARK & DOBRATZ, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

YEARS ENDED JUNE 30, 2009 AND 2008

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HOUSE PARK & DOBRATZ, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors
Midwest Center for Holocaust Education, Inc.
Overland Park, Kansas

We have audited the accompanying statements of financial position of Midwest Center for Holocaust Education, Inc. (the Organization) as of June 30, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Center for Holocaust Education, Inc. as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

House Park & Dobratz, P.C.

December 1, 2009

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash	\$ 20,317	\$ 126,384
Contributions receivable (Note 2)	15,986	63,294
Interest and dividends receivable	2,974	3,537
Inventory	26,490	26,490
Investments (Note 3)	1,889,379	2,101,222
Property and equipment (Note 4)	62,961	80,295
Exhibits	<u>41,245</u>	<u>41,245</u>
	<u>\$ 2,059,352</u>	<u>\$ 2,442,467</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ <u>741</u>	\$ <u>514</u>
Net assets:		
Unrestricted:		
Available for general activities	85,396	148,690
Board-designated operating reserve		100,000
Board-designated endowment reserve	284,404	301,564
Market value decline in donor endowment fund (Note 8)	(<u>159,216</u>)	
	210,584	<u>550,254</u>
Temporarily restricted (Note 5)	62,231	109,522
Permanently restricted (Note 8)	<u>1,785,796</u>	<u>1,782,177</u>
	<u>2,058,611</u>	<u>2,441,953</u>
	<u>\$ 2,059,352</u>	<u>\$ 2,442,467</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributions and grants	\$ 34,030	\$ 94,260	\$ 3,619	\$ 131,909
Membership income	80,785			80,785
Program fees	10,525			10,525
Sales of books, videos and other materials	3,273	15		3,288
Investment income (Note 3)	60,315			60,315
Other income	1,776			1,776
Net assets released from program restrictions	136,245	(136,245)		
Transfers between net asset groups	(1,127)	1,127		
	<u>325,822</u>	<u>(40,843)</u>	<u>3,619</u>	<u>288,598</u>
Expenses:				
Program services	232,137			232,137
Management and general	151,265			151,265
Fundraising	<u>22,967</u>			<u>22,967</u>
	<u>406,369</u>			<u>406,369</u>
Change in net assets before realized and unrealized losses	(80,547)	(40,843)	3,619	(117,771)
Realized and unrealized losses (Note 3)	<u>(259,123)</u>	<u>(6,448)</u>		<u>(265,571)</u>
Change in net assets	(339,670)	(47,291)	3,619	(383,342)
Net assets, beginning of year	<u>550,254</u>	<u>109,522</u>	<u>1,782,177</u>	<u>2,441,953</u>
Net assets, end of year	<u>\$ 210,584</u>	<u>\$ 62,231</u>	<u>\$ 1,785,796</u>	<u>\$ 2,058,611</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributions and grants	\$ 30,148	\$ 134,230	\$ 1,724	\$ 166,102
Membership income	79,373			79,373
Program fees	10,157			10,157
Sales of books, videos and other materials	6,097			6,097
Investment income (Note 3)	67,910			67,910
Other income	1,828			1,828
Net assets released from program restrictions	164,569	(164,569)		
Transfers between net asset groups	<u>750</u>	<u>(750)</u>		
	<u>360,832</u>	<u>(31,089)</u>	<u>1,724</u>	<u>331,467</u>
Expenses:				
Program services	245,230			245,230
Management and general	148,936			148,936
Fundraising	<u>17,506</u>			<u>17,506</u>
	<u>411,672</u>			<u>411,672</u>
Change in net assets before realized and unrealized losses	(50,840)	(31,089)	1,724	(80,205)
Realized and unrealized losses (Note 3)	<u>(98,284)</u>			<u>(98,284)</u>
Change in net assets	(149,124)	(31,089)	1,724	(178,489)
Net assets, beginning of year	<u>699,378</u>	<u>140,611</u>	<u>1,780,453</u>	<u>2,620,442</u>
Net assets, end of year	<u>\$ 550,254</u>	<u>\$ 109,522</u>	<u>\$ 1,782,177</u>	<u>\$ 2,441,953</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

	Citywide Holocaust essay contest	Holocaust education curriculum	Holocaust speakers bureau	<u>Exhibits</u>
Advertising and publicity				
Compensation and benefits	\$ 8,322	\$ 36,273	\$ 1,891	\$ 2,717
Computer	223	954	56	84
Contract labor	215	2,869		215
Depreciation and amortization (Note 4)				
Gifts and awards	1,626			
Insurance	41	177	10	15
Meetings and hospitality	530	1,566	179	
Membership and dues		125		
Mileage	8	381	96	43
Miscellaneous	150	833		
Other project expenses		400	806	
Payroll tax	556	2,516	127	166
Postage and delivery	480	569	3	
Printing and copying	925	1,714	59	235
Professional services				
Rent (Note 6)	560	2,380	140	210
Resource materials	772	1,620	276	283
Speakers' fees		800		
Supplies	264	503	14	
Telephone	74	320	19	28
Travel		3,261	9,385	53
Videotape and book sales expense				
Workshops and conferences	_____	1,112	_____	_____
	<u>\$ 14,746</u>	<u>\$ 58,373</u>	<u>\$ 13,061</u>	<u>\$ 4,049</u>

<u>Resource center</u>	<u>Community programs</u>	<u>Other programs</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
	\$ 2,423		\$ 2,423			\$ 2,423
\$ 25,195	28,387	\$ 11,591	114,376	\$ 88,460	\$ 13,361	216,197
2,157	835	184	4,493	2,283	2,865	9,641
	5,612	754	9,665	4,265	646	14,576
				17,334		17,334
	48		1,674	146		1,820
1,113	155	31	1,542	2,785	62	4,389
	2,180	31	4,486	703	22	5,211
	45		170	310	95	575
149	450	79	1,206	255	36	1,497
25	1,853	816	3,677	4,535	256	8,468
20,138	9,082		30,426			30,426
1,409	1,644	686	7,104	5,726	868	13,698
663	2,981	104	4,800	621	838	6,259
1,265	4,647	1,821	10,666	1,437	2,838	14,941
				12,582		12,582
4,081	2,100	420	9,891	5,741	840	16,472
1,910	97		4,958			4,958
	1,000		1,800			1,800
52	767	85	1,685	1,800	129	3,614
241	278	56	1,016	761	111	1,888
	2,053		14,752	688		15,440
11	204		215	545		760
			1,112	288		1,400
<u>\$ 58,409</u>	<u>\$ 66,841</u>	<u>\$ 16,658</u>	<u>\$ 232,137</u>	<u>\$ 151,265</u>	<u>\$ 22,967</u>	<u>\$ 406,369</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008

	Citywide Holocaust essay contest	Holocaust education curriculum	Holocaust speakers bureau	<u>Exhibits</u>
Advertising and publicity				
Compensation and benefits	\$ 5,519	\$ 40,774	\$ 1,155	\$ 2,053
Computer	133	899	27	53
Contract labor	75			
Depreciation and amortization (Note 4)				
Gifts and awards	2,476	104		
Insurance	26	220	5	10
Meetings and hospitality	1,964	2,388	371	
Membership and dues		50		
Mileage	8	163		64
Miscellaneous		61		30
Other project expenses	150	455	715	
Payroll tax	371	2,848	81	122
Postage and delivery	993	247	26	
Printing and copying	1,528	1,345	117	30
Professional services				
Rent (Note 6)	330	2,770	66	132
Resource materials	2,506		302	
Speakers' fees			1,500	
Supplies	303	274	16	36
Telephone	43	357	9	17
Travel		1,236	7,679	
Videotape and book sales expense	141			
Workshops and conferences		413		
	<u>\$ 16,566</u>	<u>\$ 54,604</u>	<u>\$ 12,069</u>	<u>\$ 2,547</u>

<u>Resource center</u>	<u>Community programs</u>	<u>Other programs</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
	\$ 910		\$ 910			\$ 910
\$ 13,403	34,023	\$ 13,103	110,030	\$ 86,985	\$ 9,212	206,227
722	1,008	106	2,948	3,360	947	7,255
493	5,412	1,000	6,980	1,026	717	8,723
				16,980		16,980
	50	1,075	3,705			3,705
1,060	199	21	1,541	2,816	47	4,404
	3,631	290	8,644	1,026		9,670
	95		145	305		450
112	624	158	1,129	179	10	1,318
80	740	108	1,019	1,487	536	3,042
33,498	779		35,597	842		36,439
771	1,974	761	6,928	5,579	599	13,106
589	4,544	73	6,472	1,055	935	8,462
810	5,795	83	9,708	928	3,780	14,416
				16,290		16,290
3,186	2,505	264	9,253	6,133	594	15,980
2,109		157	5,074			5,074
	8,000		9,500			9,500
50	1,028	46	1,753	1,254	53	3,060
111	323	34	894	731	76	1,701
	2,557	10,508	21,980	1,055		23,035
	466		607	718		1,325
			413	187		600
<u>\$ 56,994</u>	<u>\$ 74,663</u>	<u>\$ 27,787</u>	<u>\$ 245,230</u>	<u>\$ 148,936</u>	<u>\$ 17,506</u>	<u>\$ 411,672</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	(\$ 383,342)	(\$ 178,489)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	17,334	16,980
Realized (gains) losses on investments	66,348	(82,179)
Unrealized losses on investments	199,223	180,463
Changes in operating assets and liabilities:		
Contributions receivable	47,308	27,258
Interest and dividends receivable	563	(939)
Accounts payable and accrued expenses	<u>227</u>	<u>456</u>
Net cash used by operating activities	(<u>52,339</u>)	(<u>36,450</u>)
Cash flows from investing activities:		
Purchase of property and equipment		(10,671)
Net (purchases of) proceeds from investments	(<u>53,728</u>)	<u>151,240</u>
Net cash provided (used) by investing activities	(<u>53,728</u>)	<u>140,569</u>
Net increase (decrease) in cash	(106,067)	104,119
Cash, beginning of year	<u>126,384</u>	<u>22,265</u>
Cash, end of year	<u>\$ 20,317</u>	<u>\$ 126,384</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

1. Organization and summary of significant accounting policies:

Organization:

Midwest Center for Holocaust Education (the Organization) provides educational programs and resources about the Holocaust to the Greater Kansas City community and throughout the Midwest. The Organization is supported primarily through private donor contributions and grants and is a beneficiary agency of the Jewish Federation of Greater Kansas City.

Basis of accounting:

All financial transactions have been recorded in and reported by the following net asset groups:

Unrestricted net assets, including Board-designated net assets, represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws.

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period. Resources of these funds originate from gifts and grants.

Permanently restricted net assets are those contributions whose use by the Organization is limited by donor-imposed stipulations that the corpus be held in perpetuity.

The Organization reports gifts of cash and 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments and concentrations of credit risk:

Investments include mutual funds as well as pooled equity funds managed by the Jewish Community Foundation of Greater Kansas City (the Foundation). Investments are reported at fair value based on quoted market prices, with unrealized gains/losses recognized in the consolidated statement of activities. Cost is determined by purchase price or fair value on date received, if donated.

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash, investments and pledges receivable. The Organization maintains cash and investments with various major financial institutions. The Organization performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any institution. Balances occasionally exceed federally insured limits. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

1. Organization and summary of significant accounting policies (continued):

Investments and concentrations of credit risk (continued):

A majority of contributions are from individuals and corporate and charitable entities in the Greater Kansas City area. The Organization believes that its provision for uncollectible pledges is adequate to mitigate any credit risk related to pledges receivable.

Property and equipment and depreciation:

Property and equipment are stated at cost, if purchased, or at fair value on the date received, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. The Organization regularly reviews long-lived assets for impairment.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the program or support service.

Exhibits:

The Organization capitalizes its Holocaust exhibits at cost if purchased or at fair value if donated. No depreciation is recorded.

Income taxes:

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

1. Organization and summary of significant accounting policies (continued):

Collections:

The Organization has collections of video recordings and other archival materials that are used in connection with its educational programs. In 2009 and 2008, the Organization expensed approximately \$21,000 and \$34,000, respectively, in costs related to the conversion of video materials to digital format (Note 7).

Reclassifications:

Certain amounts previously reported in the 2008 financial statements have been reclassified to conform with the current year presentation.

Change in accounting standards guidance:

In June, 2009, the Financial Accounting Standards Board (FASB) issued guidance which is included in the Codification in FASB Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*. This guidance modified the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB ASC, also known collectively as the "Codification", is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. This guidance is effective for financial statements issued for reporting periods that end after September 15, 2009. These changes will have no effect on the Organization's accounting policies or disclosures except that the references to FASB pronouncements will be replaced by the corresponding Codification references.

2. Contributions receivable:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 14,750	\$ 52,810
Receivable in one to five years	<u>6,700</u>	<u>17,850</u>
	21,450	70,660
Less discounts to net present value	(1,037)	(2,939)
Less allowance for uncollectible contributions	<u>(4,427)</u>	<u>(4,427)</u>
	<u>\$ 15,986</u>	<u>\$ 63,294</u>

The present value of contributions receivable was calculated using a discount rate of 6.5%.

Contributions receivable, before discounts and allowance, consist of the following:

Unrestricted	\$ 8,400	\$ 15,010
Temporarily restricted	3,600	36,000
Permanently restricted	<u>9,450</u>	<u>19,650</u>
	<u>\$ 21,450</u>	<u>\$ 70,660</u>

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

3. Investments:

Investments comprise the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
June 30, 2009:			
U.S. Government agency obligation mutual fund	\$ 1,772	\$ 1,772	
U.S. Treasury money market account	50,796	50,796	
Indexed bond funds	841,678	847,747	\$ 6,069
International stock fund	100,000	59,071	(40,929)
Investments at the Foundation	808,819	708,711	(100,108)
Mutual fund, S&P 500	273,095	220,282	(52,813)
Israel bonds	<u>1,000</u>	<u>1,000</u>	
Balance, end of year	<u>\$ 2,077,160</u>	<u>\$ 1,889,379</u>	(187,781)
Balance, beginning of year	<u>\$ 2,089,780</u>	<u>\$ 2,101,222</u>	<u>11,442</u>
Unrealized losses for the year			(199,223)
Realized losses for the year			(66,348)
Net realized and unrealized losses			<u>(\$ 265,571)</u>
June 30, 2008:			
U.S. Government agency obligation mutual fund	\$ 708	\$ 708	
U.S. Treasury money market account	75,264	75,264	
Indexed bond funds	908,974	905,520	(\$ 3,454)
International stock fund	100,000	87,593	(12,407)
Investments at the Foundation	729,738	723,801	(5,937)
Mutual fund, S&P 500	273,096	306,336	33,240
Israel bonds	<u>2,000</u>	<u>2,000</u>	
Balance, end of year	<u>\$ 2,089,780</u>	<u>\$ 2,101,222</u>	11,442
Balance, beginning of year	<u>\$ 2,158,842</u>	<u>\$ 2,350,747</u>	<u>191,905</u>
Unrealized losses for the year			(\$ 180,463)
Realized gains for the year			<u>82,179</u>
Net realized and unrealized gains (losses)			<u>(\$ 98,284)</u>

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

3. Investments (continued):

Investment income comprises the following:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 64,410	\$ 79,552
Investment expenses	(4,095)	(11,642)
	<u>\$ 60,315</u>	<u>\$ 67,910</u>

On July 1, 2008, the Organization adopted FASB SFAS No. 157, *Fair Value Measurements*. SFAS 157 defines fair value as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs including quoted prices in active markets for similar assets and Level 3 inputs consist of unobservable inputs that are supported by little or no market activity and have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. As of June 30, 2009, all of the Organization's investments were valued using Level 1 inputs.

4. Property and equipment:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 159,804	\$ 159,804
Furniture and fixtures	31,569	31,569
Computers	84,926	84,926
Resource materials	<u>12,531</u>	<u>12,531</u>
	288,830	288,830
Accumulated depreciation and amortization	(225,869)	(208,535)
	<u>\$ 62,961</u>	<u>\$ 80,295</u>

Depreciation expense amounted to \$17,334 and \$16,980 for the years ended June 30, 2009 and 2008, respectively.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

5. Temporarily restricted net assets:

Temporarily restricted net assets are available for the following:

	<u>2009</u>	<u>2008</u>
Benefits	\$ 7,289	
Collective Voices	6,549	\$ 7,500
Community programming	7,506	21,525
Educational curriculum	704	4,000
Essay contest	9,904	12,341
Exhibit, Curious George	14,165	
Future operating costs		20,000
Holocaust book project		6,413
Holocaust Education Academic Roundtable	1,643	1,502
Memorial maintenance	911	1,000
Memory project	68	1,224
Resource center	1,185	2,531
Strategic planning	585	5,000
Witness Archive	<u>11,722</u>	<u>26,486</u>
	<u>\$ 62,231</u>	<u>\$ 109,522</u>

6. Rent:

The Organization rents space from the Jewish Community Campus of Greater Kansas City, Inc. under terms of an annual operating agreement. Rent expense for the years ended June 30, 2009 and 2008 was \$16,472 and \$15,980, respectively. Rent for the year ending June 30, 2010 will be \$16,555.

7. Related party transactions:

In connection with the Witness Archive program, which includes editing video recordings and converting them to digital format, the Organization used the services of a video production company owned by a member of the Board of Governors. In 2009 and 2008, respectively, the Organization expensed \$20,300 and \$33,498 in costs in connection with these services, including \$7,825 and \$12,750, respectively, in donated services. These amounts are included under Resource Center in the statement of functional expenses.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

8. Endowment funds:

In August, 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. This guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations and was effective for years ending after December 15, 2008. The FSP requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) including the Organization's policy for determining the permanently restricted portion of the endowment funds.

The Organization's permanently restricted net assets consist of two individual funds established for a variety of purposes and include both a donor-restricted endowment fund and a fund designated by the Board of Directors. The Organization's policy requires the preservation of the fair value as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Based on its interpretation of state law regarding management of endowment funds, the Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment, the fair value of any subsequent gifts to the endowment and any accumulation required to be made by donor stipulation. Amounts in excess of the stated value of permanently restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

The Organization has investment and expenditure policies that consider the purpose of the donor-restricted fund, general economic conditions, and expected investment returns. From time to time, the fair value of net assets associated with individual donor-restricted endowment funds may fall below the level the donor required the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature would be appropriated from unrestricted funds. As of June 30, 2009 these deficiencies totaled \$159,216.

Endowment net assets composition by type of fund:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-designated endowment fund	(\$ 159,216)		\$ 1,785,796	\$ 1,626,580
Board-designated endowment reserve	<u>284,404</u>		<u> </u>	<u>284,404</u>
	<u>\$ 125,188</u>		<u>\$ 1,785,796</u>	<u>\$ 1,910,984</u>

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2009 AND 2008

8. Endowment funds (continued):

Change in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 301,564		\$ 1,782,177	\$ 2,083,741
Transfer to comply with FSP SFAS 117-1	(9,042)	\$ 9,042		
Contributions	2,784		3,619	6,403
Net realized and unrealized losses	(243,934)	(9,042)		(252,976)
Transfers from net assets, available for general activities	<u>73,816</u>	<u> </u>	<u> </u>	<u>73,816</u>
	<u>\$ 125,188</u>	<u>\$ -</u>	<u>\$ 1,785,796</u>	<u>\$ 1,910,984</u>