

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

YEARS ENDED JUNE 30, 2012 AND 2011



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

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

YEARS ENDED JUNE 30, 2012 AND 2011

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

In planning and performing our audit of the financial statements of Midwest Center for Holocaust Education, Inc. (the Organization) as of and for the year ended June 30, 2012, in accordance with U.S generally accepted auditing standards, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

House Park & Dobratz, P.C.

December 10, 2012

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 17,824	\$ 4,932
Contributions and grants receivable (Note 2)	29,177	42,454
Dividends receivable	3,348	3,597
Prepaid expenses		6,439
Inventory	26,490	26,490
Investments (Note 3)	2,165,057	2,261,997
Property and equipment (Note 4)	26,730	44,974
Exhibits	<u>41,245</u>	<u>41,245</u>
	<u>\$ 2,309,871</u>	<u>\$ 2,432,128</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 649</u>	<u>\$ 1,518</u>
Deferred revenue		<u>43,000</u>
Net assets:		
Unrestricted:		
Available for general activities	(28,090)	(20,377)
Board-designated endowment	<u>332,539</u>	<u>331,630</u>
	304,449	311,253
Temporarily restricted (Note 5)	222,177	288,961
Permanently restricted (Note 8)	<u>1,782,596</u>	<u>1,787,396</u>
	<u>2,309,222</u>	<u>2,387,610</u>
	<u>\$ 2,309,871</u>	<u>\$ 2,432,128</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributions and grants	\$ 33,125	\$ 68,706		\$ 101,831
Special events, net of direct expenses of \$142,711	161,788			161,788
Membership income	78,921			78,921
Program fees	3,458			3,458
Sales of books, videos and other materials	1,658			1,658
Investment income (loss) (Note 3)	52,715	(57,793)		(5,078)
Other income	5,301			5,301
Transfer	(15,200)	20,000	(\$ 4,800)	
Net assets released from program restrictions	<u>97,697</u>	<u>(97,697)</u>		
	<u>419,463</u>	<u>(66,784)</u>	<u>(4,800)</u>	<u>347,879</u>
Expenses:				
Program services	175,466			175,466
Management and general	177,904			177,904
Fundraising	<u>72,897</u>			<u>72,897</u>
	<u>426,267</u>			<u>426,267</u>
Change in net assets	(6,804)	(66,784)	(4,800)	(78,388)
Net assets, beginning of year	<u>311,253</u>	<u>288,961</u>	<u>1,787,396</u>	<u>2,387,610</u>
Net assets, end of year	<u>\$ 304,449</u>	<u>\$ 222,177</u>	<u>\$ 1,782,596</u>	<u>\$ 2,309,222</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Contributions and grants	\$ 28,493	\$ 131,983		\$ 160,476
Membership income	76,687			76,687
Program fees	8,975	249		9,224
Sales of books, videos and other materials	2,007			2,007
Investment income (Note 3)	153,468	218,996		372,464
Other income	2,651			2,651
Net assets released from program restrictions	<u>100,291</u>	<u>(100,291)</u>	<u> </u>	<u> </u>
	<u>372,572</u>	<u>250,937</u>	<u>-</u>	<u>623,509</u>
Expenses:				
Program services	172,211			172,211
Management and general	168,868			168,868
Fundraising	<u>26,286</u>			<u>26,286</u>
	<u>367,365</u>			<u>367,365</u>
Change in net assets	5,207	250,937		256,144
Net assets, beginning of year	<u>306,046</u>	<u>38,024</u>	<u>\$ 1,787,396</u>	<u>2,131,466</u>
Net assets, end of year	<u>\$ 311,253</u>	<u>\$ 288,961</u>	<u>\$ 1,787,396</u>	<u>\$ 2,387,610</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Citywide Holocaust essay <u>contest</u>	Holocaust education <u>curriculum</u>	Holocaust speakers <u>bureau</u>	<u>Exhibits</u>
Advertising and publicity				
Bad debts				
Compensation and benefits	\$ 6,788	\$ 43,081	\$ 736	\$ 413
Computer	451	1,085	27	
Contract labor	412	1,107		
Depreciation and amortization (Note 4)				
Gifts and awards	1,766			
Insurance	31	196	300	
Loss on disposal of assets				
Meetings and hospitality	1,180	2,414		
Membership and dues				
Mileage		225	86	
Miscellaneous				
Other project expenses	220		75	
Payroll tax	439	2,858	55	29
Postage and delivery	496	1,540	3	
Printing and copying	325	2,005	35	
Professional services				
Rent (Note 6)	642	4,064		
Resource materials	364	6	211	
Speakers' fees		5,000		
Supplies	183	113		
Telephone	32	202		
Travel		2,706	6,578	
Videotape and book sales expense		219	(76)	
Workshops and conferences		50		
	<u>\$ 13,329</u>	<u>\$ 66,871</u>	<u>\$ 8,030</u>	<u>\$ 442</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>
	\$ 999		\$ 999		\$ 2,007	\$ 3,006
\$ 29			29	\$ 97		126
8,423	34,182	\$ 3,856	97,479	103,748	29,200	230,427
685	958	76	3,282	2,294	1,591	7,167
	2,583	300	4,402	9,147	6,466	20,015
				18,171		18,171
			1,766		513	2,279
254	196	15	992	3,751	1,390	6,133
				73		73
	796	65	4,455	424	4,959	80
	50		50	325		375
106	289	53	759	293	89	1,141
25	1,124	174	1,323	3,708	1,296	6,327
7,857	820	1,160	10,132		10,000	20,132
574	2,269	265	6,489	7,137	1,921	15,547
151	949		3,139	1,764	4,961	9,864
2	4,002	2,538	8,907	4,824	11,225	24,956
				8,938		8,938
2,853	4,064	321	11,944	10,112	1,711	23,767
350			931		35	966
	1,000		6,000			6,000
	61		357	1,667	327	2,351
43	202	16	495	485	85	1,065
	1,160		10,444	696		11,140
396	503		1,042			1,042
			50	250		300
<u>\$ 21,748</u>	<u>\$ 56,207</u>	<u>\$ 8,839</u>	<u>\$ 175,466</u>	<u>\$ 177,904</u>	<u>\$ 72,897</u>	<u>\$ 426,267</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Citywide Holocaust essay <u>contest</u>	Holocaust education <u>curriculum</u>	Holocaust speakers <u>bureau</u>	<u>Exhibits</u>
Advertising and publicity				
Bad debt recoveries				
Compensation and benefits	\$ 5,355	\$ 39,028	\$ 177	\$ 2,363
Computer	300	199		
Contract labor	357	211		1,365
Depreciation and amortization (Note 4)				
Gifts and awards	1,748			
Insurance	23	163		9
Meetings and hospitality	1,293	1,110	123	
Membership and dues		50		
Mileage	7	202	102	
Miscellaneous				450
Other project expenses				1,123
Payroll tax	356	2,706	13	168
Postage and delivery	160	1,367	9	9,780
Printing and copying	611	1,867	2	222
Professional services				
Rent (Note 6)	419	3,019		168
Resource materials	2,276	501	279	
Speakers' fees				
Supplies	699	248		776
Telephone	40	295		16
Travel		1,356	7,185	915
Videotape and book sales expense				
Workshops and conferences	<u> </u>	<u>330</u>	<u> </u>	<u> </u>
	<u>\$ 13,644</u>	<u>\$ 52,652</u>	<u>\$ 7,890</u>	<u>\$ 17,355</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>
	\$ 1,249		\$ 1,249			\$ 1,249
\$ 6,916	41,099	\$ 5,352	100,290	(\$ 600)		(600)
436			935	105,487	\$ 16,852	222,629
	2,905	200	5,038	5,567		6,502
				5,384	226	10,648
				15,072		15,072
	56		1,804	73		1,877
600	186	23	1,004	3,173	59	4,236
	1,801	158	4,485	268	40	4,793
	50		100	400		500
18	325	169	823	45	12	880
25	398		873	2,015	173	3,061
592	1,030		2,745			2,745
479	2,856	373	6,951	6,816	1,102	14,869
205	1,313	10	12,844	1,507	1,888	16,239
294	3,159	15	6,170	2,237	4,706	13,113
				8,780		8,780
2,578	3,438	419	10,041	7,715	1,090	18,846
291			3,347			3,347
	678		2,401	2,261	33	4,695
48	331	40	770	745	105	1,620
	215		9,671	1,570		11,241
340			340	103		443
			330	250		580
<u>\$ 12,822</u>	<u>\$ 61,089</u>	<u>\$ 6,759</u>	<u>\$ 172,211</u>	<u>\$ 168,868</u>	<u>\$ 26,286</u>	<u>\$ 367,365</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	(\$ 78,388)	\$ 256,144
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	18,171	15,072
Loss on disposal of property and equipment	73	
Realized gains on investments	(31,898)	(30,324)
Unrealized (gains) losses on investments	66,884	(304,265)
Changes in operating assets and liabilities:		
Contributions and grants receivable	13,277	(4,904)
Dividends receivable	249	(3,597)
Prepaid expenses	6,439	(6,439)
Accounts payable and accrued expenses	(869)	(643)
Deferred revenue	(43,000)	43,000
Net cash used by operating activities	(49,062)	(35,956)
Cash flows from investing activities:		
Net proceeds from investments	61,954	34,447
Purchase of property and equipment	<u> </u>	(13,410)
Net cash provided by investing activities	<u>61,954</u>	<u>21,037</u>
Net increase (decrease) in cash	12,892	(14,919)
Cash, beginning of year	<u>4,932</u>	<u>19,851</u>
Cash, end of year	<u>\$ 17,824</u>	<u>\$ 4,932</u>

See notes to financial statements.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

1. Organization and summary of significant accounting policies:

Organization:

Midwest Center for Holocaust Education, Inc. (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.

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.

Fair value of financial instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. "U.S. Generally Accepted Accounting Principles" (GAAP) 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 carrying amount of financial instruments including cash, contributions and grants receivable, dividends receivable, inventory, accounts payable and accrued expenses approximated fair values as of June 30, 2012 and 2011, due to their short-term nature. The fair value of investments is disclosed in Note 3.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

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

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). Cost is determined by purchase price or fair value on date received, if donated. Investments in mutual funds are reported at fair value based on quoted market prices.

The Organization accounts for investments at the Foundation using net asset value as a practical expedient to fair value because these investments have a readily determined value and transact frequently. The underlying holdings of the Foundation funds are valued by the Foundation using quoted market prices for publicly traded securities and fair value for other investments, using methodologies relevant to each asset class as provided by the respective investment custodians. The valuations provided by the Foundation are routinely evaluated by management, and management believes such values are reasonable. Unrealized gains and losses are included in the statement of activities and change in net assets.

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash, investments and grants and contributions receivable. The Organization maintains its bank accounts at institutions where non-interest bearing accounts are fully insured by the Federal Deposit Insurance Corporation. This unlimited coverage is available through December 31, 2012. 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 statement of financial position.

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 grants and contributions is adequate to mitigate any credit risk related to contributions and grants 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 of \$2,500 or more 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.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

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

Exhibits:

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

Resource materials:

The Organization has resource materials, video recordings and other archival materials that are used in connection with its educational programs. The Organization uses the base-stock method to account for its resource materials, whereby the original materials were capitalized and additional costs in subsequent years are expensed. In 2012 and 2011, respectively, the Organization expensed approximately \$7,857 and \$600, respectively, in costs related to the conversion of video materials to digital format (Note 7).

Deferred revenue:

The Organization held a major fundraising event in fiscal 2012. Revenues related to the event that were received in 2011 were deferred and direct expenses related to the event incurred in 2011 were included in prepaid expenses. The deferred revenues and prepaid expenses were recognized when the event occurred in 2012.

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.

Income taxes:

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization's current accounting policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Organization has no uncertain income tax positions for the years ended June 30, 2012 and 2011. The Organization is no longer subject to audits by the IRS for years prior to fiscal 2009. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

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, 2012 AND 2011

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

Subsequent events:

Subsequent events have been evaluated through December 10, 2012, which is the date the financial statement were available to be issued.

2. Contributions and grants receivable:

	<u>2012</u>	<u>2011</u>
Receivable within one year	\$ 29,152	\$ 39,454
Receivable thereafter	<u>425</u>	<u>3,400</u>
	29,577	42,854
Allowance for uncollectible contributions	(400)	(400)
	<u>\$ 29,177</u>	<u>\$ 42,454</u>

3. Investments:

Investments comprise the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
June 30, 2012:			
U.S. Government agency obligation mutual fund	\$ 1,773	\$ 1,773	-
Indexed bond fund	678,819	743,207	\$ 64,388
International stock fund	80,870	66,889	(13,981)
Investments at the Foundation	937,973	1,025,781	87,808
Mutual fund, S&P 500	273,095	326,407	53,312
Israel bonds	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Balance, end of year	<u>\$ 1,973,530</u>	<u>\$ 2,165,057</u>	191,527
Balance, beginning of year	<u>\$ 2,003,586</u>	<u>\$ 2,261,997</u>	<u>258,411</u>
Unrealized losses for the year			(<u>\$ 66,884</u>)

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

3. Investments (continued):

	<u>Cost</u>	<u>Fair value</u>	<u>Excess of fair value (cost)</u>
June 30, 2011:			
U.S. Government agency obligation mutual fund	\$ 1,773	\$ 1,773	
Indexed bond fund	728,165	770,111	\$ 41,946
International stock fund	80,870	80,811	(59)
Investments at the Foundation	918,683	1,092,035	173,352
Mutual fund, S&P 500	273,095	316,267	43,172
Israel bonds	<u>1,000</u>	<u>1,000</u>	
Balance, end of year	<u>\$ 2,003,586</u>	<u>\$ 2,261,997</u>	258,411
Balance, beginning of year	<u>\$ 2,077,709</u>	<u>\$ 1,961,855</u>	(45,854)
Unrealized gains for the year			<u>\$ 304,265</u>

Investment income comprises the following:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 36,669	\$ 44,567
Investment expenses	(6,761)	(6,692)
Realized gains	31,898	30,324
Unrealized gains (losses)	(66,884)	<u>304,265</u>
	<u>(\$ 5,078)</u>	<u>\$ 372,464</u>

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Following is a summary of the inputs used in valuing the investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2012:			
Money market and mutual funds	\$ 1,138,276		\$ 1,138,276
Investments at the Foundation		\$ 1,025,781	1,025,781
Israel bonds		<u>1,000</u>	<u>1,000</u>
	<u>\$ 1,138,276</u>	<u>\$ 1,026,781</u>	<u>\$ 2,165,057</u>

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

3. Investments (continued):

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
June 30, 2011:			
Money market and mutual funds	\$ 1,168,962		\$ 1,168,962
Investments at the Foundation		\$ 1,092,035	1,092,035
Israel bonds	<u> </u>	<u>1,000</u>	<u>1,000</u>
	<u>\$ 1,168,962</u>	<u>\$ 1,093,035</u>	<u>\$ 2,261,997</u>

Investments in Israel bonds and units in pooled investment funds at the Foundation are reported at net asset value as a practical expedient to estimate the fair value of the Organization's interest therein. Classification as Level 2 is based on the Organization's ability to redeem its interest at or near the date of the statement of financial position. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

4. Property and equipment:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 159,804	\$ 159,804
Furniture and fixtures	31,568	31,568
Computers and website	97,457	98,337
Resource materials	<u>12,531</u>	<u>12,531</u>
	301,360	302,240
Accumulated depreciation and amortization	<u>(274,630)</u>	<u>(257,266)</u>
	<u>\$ 26,730</u>	<u>\$ 44,974</u>

Depreciation and amortization expense totaled \$18,171 and \$15,072 for the years ended June 30, 2012 and 2011, respectively.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

5. Temporarily restricted net assets:

	<u>2012</u>	<u>2011</u>
Net assets restricted for programs and operations:		
Benefits	\$ 9,050	\$ 9,260
Collective Voices		4,124
Community outreach	3,170	4,911
Community programming	6,856	8,167
Education curriculum	18,415	18,286
Essay contest	2,120	1,121
Exhibits	11,575	
Holocaust Education Academic Roundtable	1,454	1,699
Memorial maintenance	638	652
Office security		8,344
Resource center	812	1,240
Together We Remember	398	
Website	6,906	13,594
Witness Archive	<u>2,822</u>	<u>3,987</u>
Net assets restricted for programs and operations	64,216	75,385
Endowment investment appreciation (Note 8)	<u>157,961</u>	<u>213,576</u>
	<u>\$ 222,177</u>	<u>\$ 288,961</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, 2012 and 2011 was \$23,767 and \$18,846, respectively.

7. Related party transactions:

In connection with the 18th anniversary celebration in 2012 and 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 Council of Advocates, an advisory group to the Board. In 2012 and 2011, respectively, the Organization expensed \$25,312 and \$600 in costs in connection with these services, including \$13,236 and \$0, respectively, in donated services. These donated services are included in other project expenses in the statement of functional expenses and are included in contributions and grants in the statement of activities and changes in net assets.

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

8. Endowment funds:

In accordance with GAAP, the Organization is required to make certain 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 endowments consist of two individual funds established for a variety of purposes, 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 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 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 the endowment 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 GAAP, deficiencies of this nature would be appropriated from unrestricted funds.

Endowment net assets composition by type of fund as of June 30, 2012 and 2011 is as follows:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-designated endowment		\$ 157,961	\$ 1,782,596	\$ 1,940,557
Board-designated endowment	\$ 332,539			332,539
	<u>\$ 332,539</u>	<u>\$ 157,961</u>	<u>\$ 1,782,596</u>	<u>\$ 2,273,096</u>
	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-designated endowment		\$ 213,576	\$ 1,787,396	\$ 2,000,972
Board-designated endowment	\$ 331,630			331,630
	<u>\$ 331,630</u>	<u>\$ 213,576</u>	<u>\$ 1,787,396</u>	<u>\$ 2,332,602</u>

MIDWEST CENTER FOR HOLOCAUST EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

8. Endowment funds (continued):

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 331,630	\$ 213,576	\$ 1,787,396	\$ 2,332,602
Contributions	10,000			10,000
Net realized and unrealized losses	(9,091)	(55,615)		(64,706)
Transfers out	<u> </u>	<u> </u>	(4,800)	(4,800)
Balance, end of year	<u>\$ 332,539</u>	<u>\$ 157,961</u>	<u>\$ 1,782,596</u>	<u>\$ 2,273,096</u>
	2011			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 266,481		\$ 1,787,396	\$ 2,053,877
Net realized and unrealized gains	85,269	\$ 213,576		298,845
Transfers out	(20,120)	<u> </u>	<u> </u>	(20,120)
Balance, end of year	<u>\$ 331,630</u>	<u>\$ 213,576</u>	<u>\$ 1,787,396</u>	<u>\$ 2,332,602</u>

December 12, 2012

Ms. Jean G. Zeldin, Executive Director
Midwest Center for Holocaust Education, Inc.
5801 West 115th Street, Suite 106
Overland Park, Kansas 66211

Dear Jean:

Enclosed are twenty copies each of the audited financial statements and internal control letter of Midwest Center for Holocaust Education, Inc. for the years ended June 30, 2012 and 2011.

If we can be of further assistance, please let us know.

Very truly yours,

HOUSE PARK & DOBRATZ, P.C.

by Stanley H. House, CPA

SHH/cc
Enclosures