

**Financial Statements**  
**Facing History and Ourselves**  
**National Foundation, Inc.**

**June 30, 2010 and 2009**



**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm  
**Tofias New England Division**

# **FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.**

## ***Financial Statements***

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*Independent Auditors' Report*

Board of Directors

Facing History and Ourselves National Foundation, Inc.

Brookline, Massachusetts

We have audited the accompanying statements of financial position of Facing History and Ourselves National Foundation, Inc. ("Facing History") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Facing History'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 Facing History and Ourselves National Foundation, Inc. as of June 30, 2010 and 2009, 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.

*Mayer Hoffman McCann P.C.*

September 16, 2010

Cambridge, Massachusetts

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statements of Financial Position*

	<i>June 30,</i>	
	<i>2010</i>	<i>2009</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,522,330	\$ 2,908,410
Investments	11,190,982	9,600,860
Accounts receivable - less allowance for doubtful accounts of \$1,600 in 2010 and 2009	229,371	128,630
Prepaid expenses and other assets	333,285	430,773
Due from related parties	544,121	542,301
Pledges receivable - net	9,211,501	12,304,612
Grants receivable - net	1,304,734	2,425,363
Office equipment, leasehold improvements and traveling exhibits - net	<u>1,810,673</u>	<u>1,675,337</u>
<b>Total assets</b>	<b>\$ <u>27,146,997</u></b>	<b>\$ <u>30,016,286</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 280,240	\$ 299,387
Deferred revenue	23,975	32,486
Accrued lease costs	64,314	102,215
Note payable	<u>1,027,235</u>	<u>1,106,332</u>
<b>Total liabilities</b>	<b><u>1,395,764</u></b>	<b><u>1,540,420</u></b>
Net assets:		
Unrestricted:		
Undesignated	7,565,718	6,182,768
Board designated	<u>100,000</u>	<u>100,000</u>
<b>Total unrestricted net assets</b>	<b>7,665,718</b>	<b>6,282,768</b>
Temporarily restricted	13,099,401	17,244,260
Permanently restricted	<u>4,986,114</u>	<u>4,948,838</u>
<b>Total net assets</b>	<b><u>25,751,233</u></b>	<b><u>28,475,866</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>27,146,997</u></b>	<b>\$ <u>30,016,286</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statements of Activities*

*Years Ended June 30,*

	<i>2010</i>			<i>2009</i>	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Total</i>
Support and revenue:					
Contributions and special event revenue	\$ 6,951,236	\$ 4,904,824	\$ 37,276	\$ 11,893,336	\$ 20,219,581
Less: Costs of direct benefits to donors	(455,466)	-	-	(455,466)	(528,264)
<b>Total contributions and special event revenue, net</b>	<b>6,495,770</b>	<b>4,904,824</b>	<b>37,276</b>	<b>11,437,870</b>	<b>19,691,317</b>
Contributions in-kind	729,132	-	-	729,132	686,321
Fees	939,722	-	-	939,722	783,888
Sales of books and materials	229,239	-	-	229,239	373,671
Interest, dividends and realized gains on unrestricted investments	42,092	-	-	42,092	104,646
Spending rate transfer appropriated for operations	229,986	-	-	229,986	211,057
Net assets released from restrictions - satisfaction of time and purpose restrictions	9,535,509	(9,535,509)	-	-	-
<b>Total support and revenue</b>	<b>18,201,450</b>	<b>(4,630,685)</b>	<b>37,276</b>	<b>13,608,041</b>	<b>21,850,900</b>
Expenses:					
Program services	13,778,730	-	-	13,778,730	15,245,008
General administration	1,165,207	-	-	1,165,207	1,239,084
Fundraising	2,476,781	-	-	2,476,781	2,645,314
<b>Total expenses</b>	<b>17,420,718</b>	<b>-</b>	<b>-</b>	<b>17,420,718</b>	<b>19,129,406</b>
<b>Change in net assets before unrealized gains (losses) on investments and loss on sublease</b>	<b>780,732</b>	<b>(4,630,685)</b>	<b>37,276</b>	<b>(3,812,677)</b>	<b>2,721,494</b>
Loss on sublease	-	-	-	-	(102,215)
Net unrealized gains (losses) on unrestricted investments	602,218	-	-	602,218	(796,426)
Investment income and gains (losses) net of amounts appropriated for operations	-	485,826	-	485,826	(812,810)
<b>Change in net assets</b>	<b>1,382,950</b>	<b>(4,144,859)</b>	<b>37,276</b>	<b>(2,724,633)</b>	<b>1,010,043</b>
Net assets - beginning of year	6,282,768	17,244,260	4,948,838	28,475,866	27,465,823
<b>Net assets - end of year</b>	<b>\$ 7,665,718</b>	<b>\$ 13,099,401</b>	<b>\$ 4,986,114</b>	<b>\$ 25,751,233</b>	<b>\$ 28,475,866</b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statement of Activities*

*Year Ended June 30, 2009*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and special event revenue	\$ 7,855,028	\$ 11,386,580	\$ 977,973	\$ 20,219,581
Less: Costs of direct benefits to donors	<u>(528,264)</u>	<u>-</u>	<u>-</u>	<u>(528,264)</u>
<b>Total contributions and special event revenue, net</b>	<b>7,326,764</b>	<b>11,386,580</b>	<b>977,973</b>	<b>19,691,317</b>
Contributions in-kind	686,321	-	-	686,321
Fees	783,888	-	-	783,888
Sales of books and materials	373,671	-	-	373,671
Interest, dividends and realized gains	104,646	-	-	104,646
Spending rate transfer appropriated for operations	211,057	-	-	211,057
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>9,554,761</u>	<u>(9,554,761)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<b><u>19,041,108</u></b>	<b><u>1,831,819</u></b>	<b><u>977,973</u></b>	<b><u>21,850,900</u></b>
Expenses:				
Program services	15,245,008	-	-	15,245,008
General administration	1,239,084	-	-	1,239,084
Fundraising	<u>2,645,314</u>	<u>-</u>	<u>-</u>	<u>2,645,314</u>
<b>Total expenses</b>	<b><u>19,129,406</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>19,129,406</u></b>
<b>Change in net assets before unrealized losses on investments and sublease</b>	<b>(88,298)</b>	<b>1,831,819</b>	<b>977,973</b>	<b>2,721,494</b>
Loss on sublease	(102,215)	-	-	(102,215)
Net unrealized losses on investments	(796,426)	-	-	(796,426)
Investment income and losses net of amounts appropriated for operations	<u>-</u>	<u>(812,810)</u>	<u>-</u>	<u>(812,810)</u>
<b>Change in net assets</b>	<b>(986,939)</b>	<b>1,019,009</b>	<b>977,973</b>	<b>1,010,043</b>
Net assets - beginning of year	<u>7,269,707</u>	<u>16,225,251</u>	<u>3,970,865</u>	<u>27,465,823</u>
<b>Net assets - end of year</b>	<b><u>\$ 6,282,768</u></b>	<b><u>\$ 17,244,260</u></b>	<b><u>\$ 4,948,838</u></b>	<b><u>\$ 28,475,866</u></b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statements of Functional Expenses*

*Years Ended June 30,*

	<i>2010</i>				<i>2009</i>
	<i>Program Services</i>	<i>General Administration</i>	<i>Fund- Raising</i>	<i>Total</i>	<i>Total</i>
Salaries, payroll taxes and employee benefits	\$ 9,304,360	\$ 788,448	\$ 1,942,622	\$ 12,035,430	\$ 13,779,608
Professional services	1,949,195	294,006	142,443	2,385,644	2,172,355
Cost of text sales	186,498	-	884	187,382	304,398
Audiovisual and books	71,080	-	2,347	73,427	92,165
Depreciation and amortization	391,142	33,145	81,665	505,952	336,037
Travel and hosting	452,540	4,518	82,912	539,970	614,231
Rent and utilities	677,216	12,045	29,677	718,938	656,156
Office supplies and expenses	137,000	4,051	25,585	166,636	246,352
Printing	91,725	136	59,977	151,838	218,925
Accounting and legal	76,591	6,295	15,510	98,396	94,150
Communications	164,031	13,900	34,502	212,433	220,887
Postage and shipping	96,383	1,846	39,931	138,160	186,856
Machine maintenance	100,619	3,297	8,124	112,040	90,911
Event services	38,815	-	1,930	40,745	58,617
Interest expense	41,535	3,520	8,672	53,727	57,758
<b>Total</b>	<b>\$ 13,778,730</b>	<b>\$ 1,165,207</b>	<b>\$ 2,476,781</b>	<b>\$ 17,420,718</b>	<b>\$ 19,129,406</b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statement of Functional Expenses*

*Year Ended June 30, 2009*

	<u><i>Program Services</i></u>	<u><i>General Administration</i></u>	<u><i>Fund- Raising</i></u>	<u><i>Total</i></u>
Salaries, payroll taxes and employee benefits	\$ 10,601,014	\$ 1,068,905	\$ 2,109,689	\$ 13,779,608
Professional services	1,954,759	53,650	163,946	2,172,355
Cost of text sales	304,143	-	255	304,398
Audiovisual and books	84,783	2,606	4,776	92,165
Depreciation and amortization	258,916	25,965	51,156	336,037
Travel and hosting	519,101	25,543	69,587	614,231
Rent and utilities	611,383	15,074	29,699	656,156
Office supplies and expenses	199,883	8,665	37,804	246,352
Printing	163,524	805	54,596	218,925
Accounting and legal	72,800	8,405	12,945	94,150
Communications	169,263	16,864	34,760	220,887
Postage and shipping	128,096	2,954	55,806	186,856
Machine maintenance	81,363	3,158	6,390	90,911
Event services	51,507	1,869	5,241	58,617
Interest expense	44,473	4,621	8,664	57,758
<b>Total</b>	<b>\$ <u>15,245,008</u></b>	<b>\$ <u>1,239,084</u></b>	<b>\$ <u>2,645,314</u></b>	<b>\$ <u>19,129,406</u></b>



# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Statements of Cash Flows*

	<i>Years Ended June 30,</i>	
	<i>2010</i>	<i>2009</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (2,724,633)	\$ 1,010,043
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	505,952	336,037
Permanently restricted contributions	(250,000)	(255,366)
Realized/unrealized (gains) losses on investments	(1,360,122)	1,363,336
Changes in:		
Accounts receivable	(100,741)	39,545
Prepaid expenses and other assets	97,488	(20,514)
Due from related parties	(1,820)	(331,680)
Pledges receivable	3,093,111	(1,820,017)
Grants receivable	1,120,629	(67,620)
Accounts payable and accrued expenses	(19,147)	(141,053)
Accrued lease costs	(37,901)	102,215
Deferred revenue	(8,511)	5,053
<b>Net cash provided by operating activities</b>	<b>314,305</b>	<b>219,979</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(230,000)	(378,041)
Proceeds from sale of investments	-	1,360,507
Purchases of office equipment, leasehold improvements and traveling exhibits	(641,288)	(263,801)
<b>Net cash provided by (used in) investing activities</b>	<b>(871,288)</b>	<b>718,665</b>
<b>Cash flows from financing activities:</b>		
Repayment of note payable	(79,097)	(75,071)
Proceeds from contributions restricted for endowment	250,000	255,366
<b>Net cash provided by financing activities</b>	<b>170,903</b>	<b>180,295</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(386,080)</b>	<b>1,118,939</b>
Cash and cash equivalents - beginning of year	2,908,410	1,789,471
<b>Cash and cash equivalents - end of year</b>	<b>\$ 2,522,330</b>	<b>\$ 2,908,410</b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies*

Facing History and Ourselves National Foundation, Inc. ("Facing History") is an educational and professional development organization whose mission is to engage students of diverse backgrounds in an examination of racism, prejudice and anti-Semitism in order to promote the development of a more humane and informed citizenry. By studying the historical development and lessons of the Holocaust and other examples of genocide, students make the essential connection between history and the moral choices they confront in their own lives. Financial support is provided primarily by donations from private individuals, grants from public and private foundations and earned income for services provided.

Facing History is incorporated in Massachusetts and operates internationally. Since its founding in 1976, Facing History has created professional development models for educators. This adaptable model incorporates unique elements shaped to best serve teachers and their students. Facing History gives students a lens to examine the past that offers them an opportunity to recognize bigotry and indifference in their schools and neighborhoods. As the 21<sup>st</sup> century begins, the global context that has always been a part of Facing History's framework becomes critical, helping teachers and students examine how the perspectives of memory and legacy can lead to prevention. Facing History educates young people to recognize that the challenge for all democracies is to sustain civil society within a global context.

### *Financial Statement Presentation*

Facing History's financial statements are presented in three net asset classes: unrestricted, temporarily restricted and permanently restricted. These categories allow for the presentation and use of resources consistent with the array of stipulations that donors impose over the use of funds from contributions and pledges. The categories are defined as follows:

*Unrestricted:* These resources carry no donor restrictions and may be used to carry out any of Facing History's objectives.

*Temporarily restricted:* These resources carry a donor-imposed restriction relative to time and/or purpose. Pledges made that are to be paid by the donor in the future are recognized as contribution revenue with restrictions relative to time and are included in Temporarily Restricted Net Assets. Payment of the pledge by the donor removes the time restriction, and the amount paid is then reclassified from Temporarily Restricted Net Assets to Unrestricted Net Assets. Similarly, when resources are used for the purpose to which a gift was restricted, the amount used is also reclassified to Unrestricted Net Assets. In each case, the amounts reclassified are presented as "net assets released from restrictions".

*Permanently restricted:* These resources carry a donor-imposed restriction that resources must be invested in perpetuity. Generally, these funds allow for a spending rate to support operations for general or specified purposes. Unexpended appreciation on permanently restricted net assets are included in temporarily restricted net assets until appropriated by the Board.

# **FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.**

## ***Notes to Financial Statements***

### ***Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)***

#### ***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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as the existence and valuation of pledges and grants receivable, the correct classification of gifts between restricted and unrestricted, the validity and completeness of the satisfaction of donor restrictions and the existence and valuation of alternative investments.

#### ***Cash Equivalents***

For the purposes of cash flows, Facing History considers all highly liquid debt securities purchased with a maturity of three month or less to be cash equivalents. Cash equivalents include money market accounts. Cash equivalents held by investment managers are considered part of investments.

Facing History maintains balances at financial institutions which, at times, may exceed federally insured limits. Facing History monitors its exposure and has not experienced any losses in such accounts.

#### ***Investments and Investment Income***

Investments are reported at fair value. Fair value is determined as per the fair value policies below.

Gifts of investments are recorded at fair value on the date of the gift. Investment income or loss (including interest and dividends) and realized and unrealized gains and losses are recorded when earned as unrestricted revenue unless their use is permanently restricted by the donor or law, in which case such income is reported as an increase in restricted assets.

#### ***Fair Value Measurements***

Facing History reports required types of financial instruments at fair value. Fair value standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as an appraisal or other valuation technique) to determine fair value. In addition, Facing History reports certain investments using the net asset value per share under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require Facing History to classify its financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with the net asset value practical expedient rules which allow for either a Level 2 or Level 3 classification depending on lock up and notice periods associated with the underlying funds.

# **FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.**

## ***Notes to Financial Statements***

### ***Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)***

#### ***Fair Value Measurements (Continued)***

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments, with readily available active quoted prices or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. For more information on the fair value of Facing History's financial instruments, see Note 3 - Fair Values of Financial Instruments.

#### ***Pledges and Grants Receivable and Contributions***

Pledges and grants are initially recorded at fair value as contribution revenue when verifiably committed by the donor. Fair value is determined in accordance with fair value policies discussed elsewhere in these notes. Pledges and grants expected to be collected in one year or more are discounted to present value using a risk adjusted rate to account for the inherent risk associated with future cash flows. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Collectibility of pledge and grants receivable is analyzed by management on an instrument-by-instrument basis; and due to the history of collections, no reserve was deemed needed at June 30, 2010 and 2009, respectively.

#### ***Office Equipment, Leasehold Improvements and Traveling Exhibits***

Office equipment, leasehold improvements and traveling exhibits are stated at cost or, in the case of gifts, at fair value at the date of the gift. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to leasehold improvements or increases to traveling exhibits. Depreciation of office equipment is computed using the straight-line method over three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the life of the asset. Depreciation of the traveling exhibits is computed using the straight-line method over three years.

# **FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.**

## ***Notes to Financial Statements***

### ***Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)***

#### ***Fundraising Dinners***

The proceeds from fundraising dinners are reported in the statement of activities as Contributions with the revenue recognized reduced by the amount of the dinner costs that are direct benefit to the donors. The remaining expenses of the fundraising dinners are reported in the statements of activities under Fundraising expense. Contributions received for events are recorded when received as management has determined that the donation value is verifiably committed at that time.

#### ***In-kind Contributions***

Significant donated services are recorded as in-kind contributions if a fair value is clearly measurable and there is an objective basis of determining the value.

Significant donated and contributed services are recorded as contributions in-kind if:

- a. The service would have been performed by salaried personnel if donated services were not available.
- b. The services require specialized skills and are provided by individuals with those skills.
- c. Facing History controls the employment and duties of the donors.

Services are recorded at the estimated cost of employing someone to perform the same service.

#### ***Tax Status***

Facing History is recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and a nonprivate foundation pursuant to Code Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, Facing History is generally exempt from federal and state income taxes. As such, no provision for income taxes has been recorded in the accompanying financial statements.

#### ***Uncertain Tax Positions***

Facing History accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Facing History has identified its tax status as a tax-exempt entity as a tax position; however, Facing History has determined that such tax position does not result in an uncertainty requiring recognition. Facing History is not currently under examination by any taxing jurisdiction. Facing History's federal and state returns are generally open for examination for three years following the date filed.

#### ***Subsequent Events***

Facing History has evaluated subsequent events through September 16, 2010, the date the financial statements were authorized to be issued.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued)*

#### *Functional Expense Allocations*

Costs have been allocated to functional classifications based on percentage of effort, usage, square footage and other criteria.

#### *Reclassifications*

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

### *Note 2 - Investments*

Investments were comprised of the following at June 30:

	<i>2010</i>	<i>2009</i>
Jewish Community Endowment Pool LLC ("JCEP")	\$ 11,190,982	\$ 9,600,860
<b>Investments</b>	<b>\$ 11,190,982</b>	<b>\$ 9,600,860</b>

Facing History is a participant in JCEP. JCEP was created in 1998 by the Combined Jewish Philanthropies of Greater Boston, Inc. ("CJP") to serve as an endowment investment solution for small to mid-sized endowment funds of eligible 501(c)(3) public charities. All participants share proportionally in the underlying money-management and custodial costs relative to their investments in the fund. JCEP benefits from full-time investment oversight provided by CJP's Board of Managers of Trust Property.

Investment activities consisted of the following for the years ended June 30:

	<i>2010</i>	<i>2009</i>
Investments at beginning of year	\$ 9,600,860	\$ 11,946,662
Additions to the investment fund	230,000	307,938
Withdrawal for use in operations	-	(1,360,207)
Interest and dividend income	18,925	70,103
Realized gains on investments, net of fees	68,173	127,332
Change in net unrealized gains and losses on investments	1,273,024	(1,490,968)
<b>Investments, end of year</b>	<b>\$ 11,190,982</b>	<b>\$ 9,600,860</b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## Notes to Financial Statements

### Note 3 - Fair Values of Financial Instruments

The following table represents instruments measured on a recurring basis by level within the fair value hierarchy at June 30, 2010:

	<i>Quoted prices in active markets Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>	<i>Total</i>
JCEP	\$ -	\$ 11,190,982	\$ -	\$ 11,190,982
<b>Investments</b>	<b>\$ -</b>	<b>\$ 11,190,982</b>	<b>\$ -</b>	<b>\$ 11,190,982</b>

The following table represents instruments measured on a recurring basis by level within the fair value hierarchy at June 30, 2009:

	<i>Quoted prices in active markets Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>	<i>Total</i>
JCEP	\$ -	\$ 9,600,860	\$ -	\$ 9,600,860
<b>Investments</b>	<b>\$ -</b>	<b>\$ 9,600,860</b>	<b>\$ -</b>	<b>\$ 9,600,860</b>

Facing History invests in certain entities that calculate net asset value per share in accordance with guidance relative to investment companies, and these investments are reported at fair value based on the net asset value per share as reported by the investee. These investments are measured at fair value using Level 2 or Level 3 inputs. Investments are categorized as Level 2 instruments when Facing History has the ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end. Investments are categorized as Level 3 instruments when Facing History cannot redeem its investment within 90 days of year-end, assuming all other criteria for this presentation have been met.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## Notes to Financial Statements

### Note 3 - Fair Values of Financial Instruments (Continued)

	<i>Fair Value</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency</i>	<i>Redemption Notice Period</i>
Multi-strategy investment fund	\$ 11,190,982	\$ -	monthly	one week

**Multi-strategy investment fund (JCEP)** – investments held in a diversified investment vehicle that allocates assets across the following investment categories:

- *Cash and Cash Equivalents* including money market funds and other highly liquid debt instruments purchased with maturities of three months or less.
- *Fixed Income Investments* including cash, cash equivalents and direct and indirect investments in bonds and other income securities.
- *Domestic, International, Emerging Markets and Private Equity Investments* including direct and indirect investments in domestic, including Canadian stocks, international stocks, including emerging markets, and other equity investments, including private equity and venture capital funds, and fixed income or cash reserves held by equity investment managers. Over the long term, the equity allocation is intended to preserve the real value of assets.
- *Absolute Return and Hedged Equity Investments* including direct and indirect investments in marketable or semi-marketable strategies such as arbitrage, long/short hedge funds, event driven strategies, provide an “absolute” return on a reasonably consistent basis that in general provides a return of 400 basis points to 500 basis points over Treasury Bills.
- *Real Asset Investments* including direct and indirect investments in real estate and natural resources or commodities.

### Note 4 - Pledges Receivable

Pledges receivable are as follows at June 30:

	<i>2010</i>	<i>2009</i>
Due in less than one year	\$ 4,901,529	\$ 4,417,388
Due in one to five years	<u>4,800,000</u>	<u>8,546,641</u>
	9,701,529	12,964,029
Present value adjustment	<u>(490,028)</u>	<u>(659,417)</u>
<b>Pledges receivable - net</b>	<b>\$ <u>9,211,501</u></b>	<b>\$ <u>12,304,612</u></b>

At June 30, 2010, three donors accounted for 41% of the gross pledges receivable. At June 30, 2009, one donor accounted for 15% of total contributions and 15% of the gross pledges receivable.



# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 5 - Grants Receivable*

Grants receivable are as follows at June 30:

	<i>2010</i>	<i>2009</i>
Due in less than one year	\$ 773,181	\$ 1,716,335
Due in one to five years	<u>589,076</u>	<u>760,576</u>
	1,362,257	2,476,911
Present value adjustment	<u>(57,523)</u>	<u>(51,548)</u>
<b>Grants receivable - net</b>	<b><u>\$ 1,304,734</u></b>	<b><u>\$ 2,425,363</u></b>

### *Note 6 - Office Equipment, Leasehold Improvements and Traveling Exhibits*

Office equipment, leasehold improvements and traveling exhibits are as follows at June 30:

	<i>2010</i>	<i>2009</i>
Office equipment	\$ 1,803,069	\$ 1,525,415
Leasehold improvements	2,274,570	2,268,307
Traveling exhibits	<u>1,458,587</u>	<u>1,101,216</u>
	5,536,226	4,894,938
Accumulated depreciation and amortization	<u>(3,725,553)</u>	<u>(3,219,601)</u>
<b>Office equipment, leasehold improvements and traveling exhibits - net</b>	<b><u>\$ 1,810,673</u></b>	<b><u>\$ 1,675,337</u></b>

### *Note 7 - Retirement Plan*

Facing History has a 403(b) retirement plan for eligible employees. Employees choose the investment vehicles for employer and voluntary contributions from among a set of options offered by the investment custodian, MassMutual. Facing History provided eligible employees with a year-end retirement contribution equivalent to 4.55% of employee compensation for the year ended June 30, 2010. Contributions in 2009 varied as a result of expense reductions during the year. Benefit costs under this program were approximately \$400,000 and \$683,000 for the years ended June 30, 2010 and 2009, respectively.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 8 - Note Payable*

During 2008, Facing History entered into a term note payable with a financial institution to finance capital projects at its primary operating facility. The loan calls for eighty-three monthly principal and interest payments of \$11,069 with a lump-sum payment of the unpaid balance due in March 2015. Interest is computed at the fixed rate of 4.95%. Under the loan arrangement, Facing History is required to maintain a minimum debt service coverage ratio. At June 30, 2010 and 2009, Facing History was in compliance with this requirement.

Maturities of the note payable as of June 30, 2010 are as follows:

2011	\$	85,549
2012		88,194
2013		92,660
2014		97,351
2015		663,481

Cash paid for interest on the note during 2010 and 2009 was \$53,726 and \$57,757, respectively.

### *Note 9 - Lease Commitments*

Facing History leases its primary office facilities and seven other locations under noncancelable operating leases expiring at various dates through 2020. Under the terms of the leases, increases in operating costs are the responsibility of Facing History. In addition, certain leases provide for scheduled rent increases. In 2009, Facing History accrued a loss on a sublease since the sublease rent was expected to be less than the cost of the original lease.

Rent expense under these leases aggregated approximately \$662,000 and \$531,000 for the years ended June 30, 2010 and 2009, respectively.

Minimum lease payments under noncancelable operating leases, net of sublease revenues, are as follows for the years ending June 30:

	<i>Gross Lease Commitments</i>	<i>Sublease Revenue</i>	<i>Net Lease Commitments</i>
2011	\$ 604,932	\$ (76,339)	\$ 528,593
2012	606,554	(91,732)	514,822
2013	473,300	-	473,300
2014	457,400	-	457,400
2015	464,600	-	464,600
Thereafter	1,978,150	-	2,442,750
<b>Total</b>	<b>\$ 4,584,936</b>	<b>\$ (168,071)</b>	<b>\$ 4,881,465</b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters*

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets, including accumulated net gains on permanently restricted net assets that are available for Board appropriation in accordance with state law, are available for the following purposes at June 30:

	<i>2010</i>	<i>2009</i>
Unrestricted pledges receivable - net of discount (time restricted)	\$ 5,656,722	\$ 7,284,027
Temporarily restricted grants receivable - net of discount (time and purpose restricted)	1,304,734	2,425,363
Temporarily restricted pledges receivable - net of discount (time and purpose restricted)	<u>2,959,816</u>	<u>4,212,898</u>
<b>Total temporarily restricted pledges and grants receivable</b>	<b>9,921,272</b>	<b>13,922,288</b>
Contributions designated for a specific purpose	2,335,304	2,750,878
Accumulated appreciation on permanently restricted net assets	<u>842,825</u>	<u>571,094</u>
<b>Temporarily restricted net assets</b>	<b>\$ <u>13,099,401</u></b>	<b>\$ <u>17,244,260</u></b>

Payments made on unrestricted pledges receivable result in reclassification of the funds to unrestricted net assets. Funds related to payments on restricted pledges receivable remain in temporarily restricted net assets until the donor restriction on the use of the funds is met.

#### *Permanently Restricted Net Assets*

Permanently restricted net assets are restricted to the following at June 30:

	<i>2010</i>	<i>2009</i>
Pledges receivable	\$ 594,960	\$ 807,683
Investments to be held in perpetuity, the income from which is expendable for general and specific operating support	<u>4,391,154</u>	<u>4,141,155</u>
<b>Permanently restricted net assets</b>	<b>\$ <u>4,986,114</u></b>	<b>\$ <u>4,948,838</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2010:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 842,825	\$ 4,986,114	\$ 5,828,939
Board-designated endowment funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<b>Total funds</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>842,825</u></b>	<b>\$ <u>4,986,114</u></b>	<b>\$ <u>5,928,939</u></b>

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2009:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 571,094	\$ 4,948,838	\$ 5,519,932
Board-designated endowment funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<b>Total funds</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>571,094</u></b>	<b>\$ <u>4,948,838</u></b>	<b>\$ <u>5,619,932</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at June 30, 2010:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 571,094	\$ 4,948,838	\$ 5,619,932
Gifts and additions	-	-	37,276	37,276
Investment returns:				
Interest and dividends, net of fees	-	(11,042)	-	(11,042)
Net realized and unrealized gains (losses)	-	726,854	-	726,854
Total investment returns	-	715,812	-	715,812
Expenditures:				
Funds transferred to unrestricted as previously allocated under spending policy	-	(425,152)	-	(425,152)
Total expenditures	-	(425,152)	-	(425,152)
Change in endowment assets and those functioning as endowment assets	-	290,660	37,276	327,936
Other changes:				
Reclassification of net assets	-	-	-	-
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 100,000</b>	<b>\$ 861,754</b>	<b>\$ 4,986,114</b>	<b>\$ 5,947,868</b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at June 30, 2009:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 1,346,236	\$ 3,970,865	\$ 5,417,101
Gifts and additions	-	-	977,973	977,973
Investment returns:				
Interest and dividends, net of fees	-	15,550	-	15,550
Net realized and unrealized gains (losses)	-	(632,206)	-	(632,206)
Total investment returns	-	(616,656)	-	(616,656)
Expenditures:				
Amounts appropriated under spending policy	-	(211,057)	-	(211,057)
Other expenditures	-	52,571	-	52,571
Total expenditures	-	(158,486)	-	(158,486)
Change in endowment assets and those functioning as endowment assets	-	(775,142)	977,973	202,831
Other changes:				
Reclassification of net assets	-	-	-	-
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 100,000</b>	<b>\$ 571,094</b>	<b>\$ 4,948,838</b>	<b>\$ 5,619,932</b>

### *Endowment*

Facing History's endowment consists of approximately 10 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# **FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.**

## ***Notes to Financial Statements***

### ***Note 10 - Net Assets and Endowment Matters (Continued)***

#### ***Interpretation of Relevant Law***

Facing History classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Facing History in a manner consistent with the standard of prudence prescribed by state law.

#### ***Spending Policy***

Facing History currently allocates all interest, dividends and realized gains on funds functioning as endowments and other unrestricted investments to be used for operations. In addition, Facing History appropriates 5% of a three-year moving average of the market value of the assets related to the Funds to be used for operations. Investment returns in excess of those appropriated by applying the spending rule on permanently restricted net assets are reinvested and increase temporarily restricted net assets.

In accordance with state law, Facing History considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Facing History and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Facing History
- (7) The investment policies of Facing History

#### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires Facing History to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets are \$39,866 and \$62,531 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

#### ***Return Objectives and Risk Parameters***

Facing History's investment portfolio is managed to provide for the long-term support of Facing History. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal that the return on investments over the long term will equal the spending rate plus inflation.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Facing History relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Facing History targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, Facing History seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

### *Note 11 - Related Parties*

Facing History has two affiliates, Facing History and Ourselves Ltd (“Limited”) and Facing History and Ourselves Canada (“Canada”) that operate internationally. While the governance of these entities is independent of Facing History, the organizations maintain Memorandums of Understanding that outline the rights and responsibilities of each organization in their affiliated activities. Under those agreements, Facing History provides services to these entities on a fee-for-service basis and assists these entities in raising their own funds. As independent entities, the accounts of these entities are not consolidated with the accounts of Facing History.

Approximate net receivables due to Facing History from these entities are as follows at June 30:

	<i>Canada</i>		<i>Limited</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Due from related parties	\$ <u>149,000</u>	\$ <u>76,000</u>	\$ <u>395,000</u>	\$ <u>466,000</u>

Activity with these entities included the following for the years ended June 30:

	<i>Canada</i>		<i>Limited</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Costs charged for services	\$ 33,000	\$ -	\$ 114,000	\$ -
Net grants made	<u>40,000</u>	<u>63,000</u>	<u>(195,000)</u>	<u>268,000</u>
<b>Net activity</b>	<b>\$ <u>73,000</u></b>	<b>\$ <u>63,000</u></b>	<b>\$ <u>(81,000)</u></b>	<b>\$ <u>268,000</u></b>