

Financial Statements

Facing History and Ourselves
National Foundation, Inc.

June 30, 2011 and 2010



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

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, 2011 and 2010, 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, 2011 and 2010, 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 22, 2011
Boston, Massachusetts

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statements of Financial Position

	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
Assets		
Cash and cash equivalents	\$ 2,870,616	\$ 2,522,330
Investments	13,829,546	11,190,982
Accounts receivable - less allowance for doubtful accounts of \$1,600 in 2010 and 2009	122,533	229,371
Prepaid expenses and other assets	383,514	333,285
Due from related parties	842,648	544,121
Pledges receivable - net	20,865,953	9,211,501
Grants receivable - net	757,328	1,304,734
Office equipment, leasehold improvements and traveling exhibits - net	<u>1,510,642</u>	<u>1,810,673</u>
Total assets	\$ <u>41,182,780</u>	\$ <u>27,146,997</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 509,279	\$ 280,240
Deferred revenue	19,490	23,975
Accrued lease costs	76,339	64,314
Note payable	<u>944,076</u>	<u>1,027,235</u>
Total liabilities	<u>1,549,184</u>	<u>1,395,764</u>
Net assets:		
Unrestricted:		
Undesignated	8,831,471	7,565,718
Board designated	<u>100,000</u>	<u>100,000</u>
Total unrestricted net assets	8,931,471	7,665,718
Temporarily restricted	19,012,135	13,099,401
Permanently restricted	<u>11,689,990</u>	<u>4,986,114</u>
Total net assets	<u>39,633,596</u>	<u>25,751,233</u>
Total liabilities and net assets	\$ <u>41,182,780</u>	\$ <u>27,146,997</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statements of Activities

Years Ended June 30,

	<i>2011</i>				<i>2010</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	\$ 7,786,758	\$ 14,646,640	\$ 6,703,876	\$ 29,137,274	\$ 11,893,336
Less: Costs of direct benefits to donors	(632,196)	-	-	(632,196)	(455,466)
Total contributions and special event revenue, net	7,154,562	14,646,640	6,703,876	28,505,078	11,437,870
Contributions in-kind	793,585	-	-	793,585	729,132
Fees	897,423	-	-	897,423	939,722
Sales of books and materials	177,639	-	-	177,639	229,239
Interest, dividends and realized gains on unrestricted investments	143,289	-	-	143,289	42,092
Spending rate transfer appropriated for operations	249,489	-	-	249,489	229,986
Net assets released from restrictions - satisfaction of time and purpose restrictions	9,256,821	(9,256,821)	-	-	-
Total support and revenue	18,672,808	5,389,819	6,703,876	30,766,503	13,608,041
Expenses:					
Program services	14,431,150	-	-	14,431,150	13,778,730
General administration	1,175,694	-	-	1,175,694	1,165,207
Fundraising	2,358,093	-	-	2,358,093	2,476,781
Total expenses	17,964,937	-	-	17,964,937	17,420,718
Change in net assets before unrealized gains (losses) on investments and loss on sublease	707,871	5,389,819	6,703,876	12,801,566	(3,812,677)
Net unrealized gains on unrestricted investments	557,882	-	-	557,882	602,218
Investment income and gains net of amounts appropriated for operations	-	522,915	-	522,915	485,826
Change in net assets	1,265,753	5,912,734	6,703,876	13,882,363	(2,724,633)
Net assets - beginning of year	7,665,718	13,099,401	4,986,114	25,751,233	28,475,866
Net assets - end of year	\$ 8,931,471	\$ 19,012,135	\$ 11,689,990	\$ 39,633,596	\$ 25,751,233

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and special event revenue	\$ 6,951,236	\$ 4,904,824	\$ 37,276	\$ 11,893,336
Less: Costs of direct benefits to donors	<u>(455,466)</u>	<u>-</u>	<u>-</u>	<u>(455,466)</u>
Total contributions and special event revenue, net	6,495,770	4,904,824	37,276	11,437,870
Contributions in-kind	729,132	-	-	729,132
Fees	939,722	-	-	939,722
Sales of books and materials	229,239	-	-	229,239
Interest, dividends and realized gains	42,092	-	-	42,092
Spending rate transfer appropriated for operations	229,986	-	-	229,986
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>9,535,509</u>	<u>(9,535,509)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,201,450</u>	<u>(4,630,685)</u>	<u>37,276</u>	<u>13,608,041</u>
Expenses:				
Program services	13,778,730	-	-	13,778,730
General administration	1,165,207	-	-	1,165,207
Fundraising	<u>2,476,781</u>	<u>-</u>	<u>-</u>	<u>2,476,781</u>
Total expenses	<u>17,420,718</u>	<u>-</u>	<u>-</u>	<u>17,420,718</u>
Change in net assets before unrealized losses on investments and sublease	780,732	(4,630,685)	37,276	(3,812,677)
Net unrealized gain on investments	602,218	-	-	602,218
Investment income net of amounts appropriated for operations	<u>-</u>	<u>485,826</u>	<u>-</u>	<u>485,826</u>
Change in net assets	1,382,950	(4,144,859)	37,276	(2,724,633)
Net assets - beginning of year	<u>6,282,768</u>	<u>17,244,260</u>	<u>4,948,838</u>	<u>28,475,866</u>
Net assets - end of year	<u>\$ 7,665,718</u>	<u>\$ 13,099,401</u>	<u>\$ 4,986,114</u>	<u>\$ 25,751,233</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statements of Functional Expenses

Years Ended June 30,

	<i>2011</i>				<i>2010</i>
	<i>Program Services</i>	<i>General Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries, payroll taxes and employee benefits	\$ 9,563,763	\$ 938,151	\$ 1,832,564	\$ 12,334,478	\$ 12,035,430
Professional services	2,078,903	74,460	115,785	2,269,148	2,385,644
Cost of text sales	150,566	49	3,218	153,833	187,382
Audiovisual and books	54,621	276	396	55,293	73,427
Depreciation and amortization	389,826	38,240	74,697	502,763	505,952
Travel and hosting	588,308	9,739	87,540	685,587	539,970
Rent and utilities	756,712	12,433	24,285	793,430	718,938
Office supplies and expenses	173,355	11,008	37,407	221,770	166,636
Printing	129,117	358	65,433	194,908	151,838
Accounting and legal	43,630	55,135	8,264	107,029	98,396
Communications	202,877	19,513	37,928	260,318	212,433
Postage and shipping	116,561	4,046	33,707	154,314	138,160
Machine maintenance	89,812	8,440	16,488	114,740	112,040
Event services	54,592	69	13,002	67,663	40,745
Interest expense	38,507	3,777	7,379	49,663	53,727
Total	\$ 14,431,150	\$ 1,175,694	\$ 2,358,093	\$ 17,964,937	\$ 17,420,718

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

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

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 13,882,363	\$ (2,724,633)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	502,763	505,952
Permanently restricted contributions	(1,800,777)	(250,000)
Realized/unrealized (gains) losses on investments	(1,470,345)	(1,360,122)
Changes in:		
Accounts receivable	106,838	(100,741)
Prepaid expenses and other assets	(50,229)	97,488
Due from related parties	(298,527)	(1,820)
Pledges receivable	(11,654,452)	3,093,111
Grants receivable	547,406	1,120,629
Accounts payable and accrued expenses	229,039	(19,147)
Accrued lease costs	12,025	(37,901)
Deferred revenue	(4,485)	(8,511)
Net cash provided by operating activities	<u>1,619</u>	<u>314,305</u>
Cash flows from investing activities:		
Purchase of investments	(4,497,294)	(230,000)
Proceeds from sale of investments	3,329,076	-
Purchases of office equipment, leasehold improvements and traveling exhibits	(202,732)	(641,288)
Net cash used in investing activities	<u>(1,370,950)</u>	<u>(871,288)</u>
Cash flows from financing activities:		
Repayment of note payable	(83,159)	(79,097)
Proceeds from contributions restricted for endowment	1,800,777	250,000
Net cash provided by financing activities	<u>1,717,618</u>	<u>170,903</u>
Net increase (decrease) in cash and cash equivalents	348,287	(386,080)
Cash and cash equivalents - beginning of year	<u>2,522,330</u>	<u>2,908,410</u>
Cash and cash equivalents - end of year	\$ <u><u>2,870,617</u></u>	\$ <u><u>2,522,330</u></u>

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 21st 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 absent a purpose restriction 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 revenue for doubtful accounts, discount rates for pledges and grants receivable, useful lives of depreciable assets, the validity and completeness of the satisfaction of donor restrictions and the existence and valuation of alternative investments.

Cash and Cash Equivalents

For the purposes of cash flows, Facing History considers all highly liquid debt securities purchased with a maturity of three months or less to be cash equivalents. Cash and 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 certain assets at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include Facing History's investment accounts. Nonrecurring measures include Facing History's pledges and grants receivable. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, Facing History reports certain investments using the net asset value per share as determined by investment managers 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 these 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 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

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. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and 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 considered necessary at June 30, 2011 and 2010.

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

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

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

Office Equipment, Leasehold Improvements and Traveling Exhibits (Continued)

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.

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 its only significant 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.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

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

Subsequent Events

Facing History has evaluated subsequent events through September 22, 2011, the date the financial statements were authorized to be issued.

Functional Expense Allocations

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

Note 2 - Investments

Investments were comprised of the following at June 30:

	<i>2011</i>	<i>2010</i>
Jewish Community Endowment Pool LLC ("JCEP")	\$ 12,731,132	\$ 11,190,982
Longleaf Partners Fund	<u>1,098,414</u>	<u>-</u>
Investments	\$ <u>13,829,546</u>	\$ <u>11,190,982</u>

Facing History is a participant in The Jewish Community Endowment Pool ("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.

Given recent declines in equities markets worldwide, some investment values have decreased after year end.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

Note 2 - Investments (Continued)

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

	<i>2011</i>	<i>2010</i>
Investments at beginning of year	\$ 11,190,982	\$ 9,600,860
Additions to the investment fund from new gifts and cash flow	3,168,220	230,000
Withdrawal for cash flow purposes	(2,000,000)	-
Investment returns:		
Interest and dividend income	37,282	18,925
Realized gains on investments, net of fees	238,534	68,173
Change in net unrealized gains and losses on investments	1,194,528	1,273,024
Total investment returns	<u>1,470,344</u>	<u>1,360,122</u>
 Investments, end of year	 <u>\$ 13,829,546</u>	 <u>\$ 11,190,982</u>

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, 2011:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
JCEP	\$ -	\$ 12,731,132	\$ -	\$ 12,731,132
Longleaf Partners Fund	<u>1,098,414</u>	<u>-</u>	<u>-</u>	<u>1,098,414</u>
 Investments	 <u>\$ 1,098,414</u>	 <u>\$ 12,731,132</u>	 <u>\$ -</u>	 <u>\$ 13,829,546</u>

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
JCEP	\$ -	\$ 11,190,982	\$ -	\$ 11,190,982
 Investments	 <u>\$ -</u>	 <u>\$ 11,190,982</u>	 <u>\$ -</u>	 <u>\$ 11,190,982</u>

No amounts were transferred between fair value levels during 2011 or 2010.

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	\$ <u>12,731,132</u>	\$ <u>-</u>	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>2011</i>	<i>2010</i>
Due in less than one year	\$ 6,076,550	\$ 4,901,529
Due in one to five years	15,986,615	4,800,000
Due in more than five years	<u>100,000</u>	<u>-</u>
	22,163,165	9,701,529
Present value adjustment	<u>(1,297,212)</u>	<u>(490,028)</u>
Pledges receivable - net	\$ <u>20,865,953</u>	\$ <u>9,211,501</u>

At June 30, 2011, two donors accounted for 70% of gross pledges receivable. At June 30, 2010, three donors accounted for 41% of the gross pledges receivable. For the year ended June 30, 2011, two donors accounted for 43% of revenue.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

Note 5 - Grants Receivable

Grants receivable are as follows at June 30:

	<i>2011</i>	<i>2010</i>
Due in less than one year	\$ 705,410	\$ 773,181
Due in one to five years	<u>75,000</u>	<u>589,076</u>
	780,410	1,362,257
Present value adjustment	<u>(23,082)</u>	<u>(57,523)</u>
Grants receivable - net	<u>\$ 757,328</u>	<u>\$ 1,304,734</u>

Note 6 - Office Equipment, Leasehold Improvements and Traveling Exhibits

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

	<i>2011</i>	<i>2010</i>
Office equipment	\$ 1,994,301	\$ 1,803,069
Leasehold improvements	2,286,070	2,274,570
Traveling exhibits	<u>1,458,587</u>	<u>1,458,587</u>
	5,738,958	5,536,226
Accumulated depreciation and amortization	<u>(4,228,316)</u>	<u>(3,725,553)</u>
Office equipment, leasehold improvements and traveling exhibits - net	<u>\$ 1,510,642</u>	<u>\$ 1,810,673</u>

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 did not provide contributions to employee retirement accounts for the year ended June 30, 2011, although eligible employees could contribute to their own accounts. Contributions had been made in the year ended June 30, 2010 equivalent to 4.55% of employee compensation, at a cost of \$400,000.

Effective July 1, 2011, contributions to the plan have been reinstated at a rate of 10% of eligible employee compensation, in addition to any elective deferrals made by employees subject to stated plan limitations.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

Note 8 - Note Payable

Facing History has entered into a term note payable with a financial institution which was used 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, 2011 and 2010, Facing History was in compliance with this requirement.

Maturities of the note payable as of June 30, 2011 are as follows:

2012	\$	88,193
2013		92,659
2014		97,351
2015		665,873

Cash paid for interest on the note during 2011 and 2010 was \$52,927 and \$53,726, 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.

Rent expense, including operating costs passed through under these leases, aggregated approximately \$700,000 and \$662,000 for the years ended June 30, 2011 and 2010, 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>
2012	\$ 632,629	\$ (91,732)	\$ 540,897
2013	504,476	-	504,476
2014	493,929	-	493,929
2015	498,164	-	498,164
2016	510,869	-	510,869
Thereafter	1,600,711	-	1,600,711
Total	\$ 4,240,778	\$ (91,732)	\$ 4,149,046

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:

	2011	2010
Unrestricted pledges receivable - net of discount (time restricted)	\$ 3,686,025	\$ 5,656,722
Unrestricted and temporarily restricted grants receivable - net of discount (time and purpose restricted)	757,327	1,304,734
Temporarily restricted pledges receivable - net of discount (time and purpose restricted)	<u>11,681,866</u>	<u>2,959,816</u>
Total temporarily restricted pledges and grants receivable	16,125,218	9,921,272
Contributions designated for a specific purpose	1,502,248	2,335,304
Accumulated appreciation on permanently restricted net assets	<u>1,384,669</u>	<u>842,825</u>
Temporarily restricted net assets	\$ <u>19,012,135</u>	\$ <u>13,099,401</u>

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.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

Permanently Restricted Net Assets

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

	<i>2011</i>	<i>2010</i>
Pledges receivable	\$ 5,498,062	\$ 594,960
Investments to be held in perpetuity, the income from which is expendable for general and specific operating support	<u>6,191,928</u>	<u>4,391,154</u>
Permanently restricted net assets	\$ <u>11,689,990</u>	\$ <u>4,986,114</u>

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2011:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 1,384,669	\$ 6,191,928	\$ 7,576,597
Board-designated endowment funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total funds	\$ <u>100,000</u>	\$ <u>1,384,669</u>	\$ <u>6,191,928</u>	\$ <u>7,676,597</u>

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	\$ -	\$ 861,754	\$ 4,391,154	\$ 5,252,908
Board-designated endowment funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total funds	\$ <u>100,000</u>	\$ <u>861,754</u>	\$ <u>4,391,154</u>	\$ <u>5,352,908</u>

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, 2011:

	<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	\$ 861,754	\$ 4,391,854	\$ 5,353,608
Gifts and additions	-	-	1,800,074	1,800,074
Investment returns:				
Interest and dividends, net of fees	-	(7,787)	-	(7,787)
Net realized and unrealized gains (losses)	-	780,191	-	780,191
Expenditures:				
Funds transferred to unrestricted as previously allocated under spending policy	-	(249,489)	-	(249,489)
Endowment assets and those functioning as endowment assets, end of year	\$ <u>100,000</u>	\$ <u>1,384,669</u>	\$ <u>6,191,928</u>	\$ <u>7,676,597</u>

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	\$ 4,354,578	\$ 5,025,672
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
Expenditures:				
Funds transferred to unrestricted as previously allocated under spending policy	-	(425,152)	-	(425,152)
Endowment assets and those functioning as endowment assets, end of year	\$ <u>100,000</u>	\$ <u>861,754</u>	\$ <u>4,391,854</u>	\$ <u>5,353,608</u>

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.

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.

FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

Spending Policy

Facing History appropriates for operations 5% of a trailing three-year moving average of the market value of the assets in endowment funds unless otherwise stated by the donor. In addition, Facing History allocates for operations all interest, dividends, realized and unrealized gains on funds functioning as endowments and other unrestricted investments. 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 \$15,401 and \$39,866 as of June 30, 2011 and 2010, 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>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Due from related parties	\$ <u>280,000</u>	\$ <u>149,000</u>	\$ <u>562,000</u>	\$ <u>395,000</u>

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

	<i>Canada</i>		<i>Limited</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Costs charged for services	\$ 131,000	\$ 33,000	\$ 167,000	\$ 114,000
Net grants (made) received	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>(195,000)</u>
Net activity	\$ <u>131,000</u>	\$ <u>73,000</u>	\$ <u>167,000</u>	\$ <u>(81,000)</u>