

## **Financial Statements**

### **Facing History and Ourselves National Foundation, Inc.**

**June 30, 2013 and 2012**



**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 financial statements of Facing History and Ourselves National Foundation, Inc. ("Facing History"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Facing History as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maye Hoffman McCann P.C.*

September 24, 2013  
Boston, Massachusetts

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

*Statements of Financial Position*

*June 30,*

	<i>2013</i>	<i>2012</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,373,570	\$ 2,297,808
Investments	26,605,529	21,942,287
Accounts receivable - less allowance for doubtful accounts of \$1,600 in 2013 and 2012	235,236	204,737
Prepaid expenses and other assets	738,131	411,115
Due from related parties	482,465	578,376
Pledges receivable - net	17,073,653	20,960,199
Grants receivable - net	1,515,577	482,835
Office equipment, leasehold improvements and traveling exhibits - net	<u>1,754,404</u>	<u>1,368,540</u>
<b>Total assets</b>	<b><u>\$ 51,778,565</u></b>	<b><u>\$ 48,245,897</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,187,086	\$ 930,018
Deferred revenue	<u>10,724</u>	<u>31,475</u>
<b>Total liabilities</b>	<b><u>1,197,810</u></b>	<b><u>961,493</u></b>
Net assets:		
Unrestricted:		
Undesignated	12,795,672	9,685,106
Board designated	<u>100,000</u>	<u>100,000</u>
<b>Total unrestricted net assets</b>	<b>12,895,672</b>	<b>9,785,106</b>
Temporarily restricted	15,601,584	16,371,159
Permanently restricted	<u>22,083,499</u>	<u>21,128,139</u>
<b>Total net assets</b>	<b><u>50,580,755</u></b>	<b><u>47,284,404</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 51,778,565</u></b>	<b><u>\$ 48,245,897</u></b>

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

*Statements of Activities*

*Years Ended June 30,*

	<u>2013</u>			<u>2012</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue:					
Contributions and special event revenue	\$ 9,502,896	\$ 10,824,491	\$ 955,360	\$ 21,282,747	\$ 28,616,853
Less: Costs of direct benefits to donors	<u>(677,758)</u>	<u>-</u>	<u>-</u>	<u>(677,758)</u>	<u>(690,879)</u>
<b>Total contributions and special event revenue, net</b>	<b>8,825,138</b>	<b>10,824,491</b>	<b>955,360</b>	<b>20,604,989</b>	<b>27,925,974</b>
Contributions in-kind	866,261	-	-	866,261	740,815
Fees	994,852	-	-	994,852	1,027,301
Sales of books and materials	429,783	-	-	429,783	327,971
Spending rate transfer appropriated for operations	415,969	-	-	415,969	274,236
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>13,381,697</u>	<u>(13,381,697)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<b><u>24,913,700</u></b>	<b><u>(2,557,206)</u></b>	<b><u>955,360</u></b>	<b><u>23,311,854</u></b>	<b><u>30,296,297</u></b>
Expenses:					
Program services	18,194,068	-	-	18,194,068	17,538,695
General administration	1,570,205	-	-	1,570,205	1,485,054
Fundraising	<u>3,032,492</u>	<u>-</u>	<u>-</u>	<u>3,032,492</u>	<u>2,799,044</u>
<b>Total expenses</b>	<b><u>22,796,765</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>22,796,765</u></b>	<b><u>21,822,793</u></b>
<b>Change in net assets from operations</b>	<b>2,116,935</b>	<b>(2,557,206)</b>	<b>955,360</b>	<b>515,089</b>	<b>8,473,504</b>
Investment income and gains on unrestricted investments	993,631	-	-	993,631	(247,722)
Investment income and gains net of amounts appropriated for operations	<u>-</u>	<u>1,787,631</u>	<u>-</u>	<u>1,787,631</u>	<u>(574,974)</u>
<b>Change in net assets</b>	<b>3,110,566</b>	<b>(769,575)</b>	<b>955,360</b>	<b>3,296,351</b>	<b>7,650,808</b>
Net assets - beginning of year	<u>9,785,106</u>	<u>16,371,159</u>	<u>21,128,139</u>	<u>47,284,404</u>	<u>39,633,596</u>
<b>Net assets - end of year</b>	<b><u>\$ 12,895,672</u></b>	<b><u>\$ 15,601,584</u></b>	<b><u>\$ 22,083,499</u></b>	<b><u>\$ 50,580,755</u></b>	<b><u>\$ 47,284,404</u></b>

See accompanying notes to the financial statements.

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

*Statement of Activities*

*Year Ended June 30, 2012*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Support and revenue:				
Contributions and special event revenue	\$ 10,018,592	\$ 9,160,112	\$ 9,438,149	\$ 28,616,853
Less: Costs of direct benefits to donors	(690,879)	-	-	(690,879)
<b>Total contributions and special event revenue, net</b>	<b>9,327,713</b>	<b>9,160,112</b>	<b>9,438,149</b>	<b>27,925,974</b>
Contributions in-kind	740,815	-	-	740,815
Fees	1,027,301	-	-	1,027,301
Sales of books and materials	327,971	-	-	327,971
Spending rate transfer appropriated for operations	274,236	-	-	274,236
Net assets released from restrictions - satisfaction of time and purpose restrictions	11,226,114	(11,226,114)	-	-
<b>Total support and revenue</b>	<b>22,924,150</b>	<b>(2,066,002)</b>	<b>9,438,149</b>	<b>30,296,297</b>
Expenses:				
Program services	17,538,695	-	-	17,538,695
General administration	1,485,054	-	-	1,485,054
Fundraising	2,799,044	-	-	2,799,044
<b>Total expenses</b>	<b>21,822,793</b>	<b>-</b>	<b>-</b>	<b>21,822,793</b>
<b>Change in net assets from operations</b>	<b>1,101,357</b>	<b>(2,066,002)</b>	<b>9,438,149</b>	<b>8,473,504</b>
Investment income and gains on unrestricted investments	(247,722)	-	-	(247,722)
Investment income and gains net of amounts appropriated for operations	-	(574,974)	-	(574,974)
<b>Change in net assets</b>	<b>853,635</b>	<b>(2,640,976)</b>	<b>9,438,149</b>	<b>7,650,808</b>
Net assets - beginning of year	8,931,471	19,012,135	11,689,990	39,633,596
<b>Net assets - end of year</b>	<b>\$ 9,785,106</b>	<b>\$ 16,371,159</b>	<b>\$ 21,128,139</b>	<b>\$ 47,284,404</b>

See accompanying notes to the financial statements.

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

*Statements of Functional Expenses*

*Years Ended June 30,*

	<u>2013</u>				<u>2012</u>
	<u>Program</u>	<u>General</u>			
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries, payroll taxes and employee benefits	\$ 12,672,155	\$ 1,017,550	\$ 2,122,168	\$ 15,811,873	\$ 14,780,602
Professional services	2,615,135	281,986	420,053	3,317,174	3,789,218
Cost of text sales	430,987	-	4,696	435,683	264,343
Audiovisual and books	63,090	431	2,603	66,124	53,377
Depreciation and amortization	312,204	25,069	52,284	389,557	464,976
Travel and hosting	612,459	48,812	75,779	737,050	629,046
Rent and utilities	533,412	45,250	89,285	667,947	602,148
Office supplies and expenses	278,804	27,646	44,477	350,927	255,791
Printing	144,634	244	83,890	228,768	208,581
Accounting and legal	20,150	89,385	3,232	112,767	100,864
Communications	183,342	13,814	36,940	234,096	267,165
Postage and shipping	143,848	7,202	69,335	220,385	178,793
Machine maintenance	80,376	12,816	13,937	107,129	102,112
Event services	103,472	-	13,813	117,285	80,855
Interest expense	-	-	-	-	44,922
<b>Total</b>	<b>\$ 18,194,068</b>	<b>\$ 1,570,205</b>	<b>\$ 3,032,492</b>	<b>\$ 22,796,765</b>	<b>\$ 21,822,793</b>

See accompanying notes to the financial statements.

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

*Statement of Functional Expenses*

*Year Ended June 30, 2012*

	<i>Program Services</i>	<i>General Administration</i>	<i>Fundraising</i>	<i>Total</i>
Salaries, payroll taxes and employee benefits	\$ 11,569,458	\$ 1,065,784	\$ 2,145,360	\$ 14,780,602
Professional services	3,457,526	157,400	174,292	3,789,218
Cost of text sales	260,725	-	3,618	264,343
Audiovisual and books	45,244	515	7,618	53,377
Depreciation and amortization	363,958	33,528	67,490	464,976
Travel and hosting	528,328	18,485	82,233	629,046
Rent and utilities	435,155	73,159	93,834	602,148
Office supplies and expenses	197,424	25,925	32,442	255,791
Printing	141,474	644	66,463	208,581
Accounting and legal	27,675	68,201	4,988	100,864
Communications	208,718	23,407	35,040	267,165
Postage and shipping	127,761	6,777	44,255	178,793
Machine maintenance	81,866	7,990	12,256	102,112
Event services	58,220	-	22,635	80,855
Interest expense	35,163	3,239	6,520	44,922
<b>Total</b>	<b>\$ 17,538,695</b>	<b>\$ 1,485,054</b>	<b>\$ 2,799,044</b>	<b>\$ 21,822,793</b>

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

*Statements of Cash Flows*

*Years Ended June 30,*

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,296,351	\$ 7,650,808
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	389,557	464,976
Permanently restricted contributions	(1,289,000)	(8,213,966)
Interest and dividends on investments	(93,988)	(67,430)
Realized/unrealized (gains) losses on investments	(3,103,243)	615,891
Changes in:		
Accounts receivable	(30,499)	(82,204)
Prepaid expenses and other assets	(327,016)	(27,601)
Due from related parties	95,911	264,272
Pledges receivable	3,886,546	(94,246)
Grants receivable	(1,032,742)	274,493
Accounts payable and accrued expenses	257,068	420,739
Accrued lease costs	-	(76,339)
Deferred revenue	(20,751)	11,985
	<b>2,028,194</b>	<b>1,141,378</b>
<b>Net cash provided by operating activities</b>	<b>2,028,194</b>	<b>1,141,378</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(3,498,920)	(10,713,966)
Proceeds from sale of investments	2,032,909	2,052,765
Purchases of office equipment, leasehold improvements and traveling exhibits	(775,421)	(322,875)
	<b>(2,241,432)</b>	<b>(8,984,076)</b>
<b>Net cash used in investing activities</b>	<b>(2,241,432)</b>	<b>(8,984,076)</b>
<b>Cash flows from financing activities:</b>		
Repayment of note payable	-	(944,076)
Proceeds from contributions restricted for endowment	1,289,000	8,213,966
	<b>1,289,000</b>	<b>7,269,890</b>
<b>Net cash provided by financing activities</b>	<b>1,289,000</b>	<b>7,269,890</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,075,762</b>	<b>(572,808)</b>
Cash and cash equivalents - beginning of year	2,297,808	2,870,616
<b>Cash and cash equivalents - end of year</b>	<b>\$ 3,373,570</b>	<b>\$ 2,297,808</b>

**Supplemental Cash Flow Information:**

Cash paid for interest was \$0 and \$44,922 in 2013 and 2012, respectively

# 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, events and grants from public and private foundations. Facing History also earns income from fees, sale of books and materials, and investment returns.

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 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 accounting principles generally accepted in the United States of America 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 and allowances for pledges and grants receivable, useful lives of depreciable assets, the validity and completeness of the satisfaction of donor restrictions and the 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. Non-recurring 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 2 - Investments and Fair Value Matters.

#### *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. The initially recorded fair value is considered a Level 2 fair value approach. 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. Collectability 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, 2013 or 2012.

#### *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 statements 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, and its determinations of which income is related and unrelated, as its only significant tax positions; however, Facing History has determined that such tax positions do not result in any uncertainties 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 24, 2013, 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 and Fair Value Matters*

Investments were comprised of the following at June 30:

	<b>2013</b>	<b>2012</b>
Interest in Jewish Community Endowment Pool LLC (“JCEP”) (Multi-Strategy Investment Fund)	\$ <u>26,605,529</u>	\$ <u>21,942,287</u>
<b>Investments</b>	<b>\$ <u>26,605,529</u></b>	<b>\$ <u>21,942,287</u></b>

The Jewish Community Endowment Pool (“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.

Management measures its interest in JCEP as a recurring Level 2 fair value measure under the so called practical expedient rules which allow for such valuations at net asset value per share if certain criteria are met. The Level 2 determination is based on the short notice period of one week allowing for monthly redemptions of balances. There were no transfers between levels in 2013 or 2012. Management has no intentions or plans to liquidate its NAV practical expedient investments at other than NAV per share.

Certain investment managers underlying the fund net their fees against returns, and accordingly, such costs that are identifiable have not been disclosed in that they would not reflect the full of manager and custodial fees.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 2 - Investments and Fair Value Matters (Continued)*

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

	<i>2013</i>	<i>2012</i>
Investments, beginning of year	\$ <u>21,942,287</u>	\$ <u>13,829,546</u>
Additions to the investment fund from new gifts and cash flow	3,498,920	10,713,966
Withdrawal for cash flow purposes	(2,032,909)	(2,052,765)
Investment returns:		
Interest and dividend income	93,988	67,430
Realized gains on investments, net of fees	357,882	520,912
Change in net unrealized gains and losses on investments	<u>2,745,361</u>	<u>(1,136,802)</u>
Total investment returns	<u>3,197,231</u>	<u>(548,460)</u>
 <b>Investments, end of year</b>	 <b>\$ <u>26,605,529</u></b>	 <b>\$ <u>21,942,287</u></b>

JCEP invests in diversified assets that allocate exposures 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.

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 3 - Pledges Receivable*

Pledges receivable are as follows at June 30:

	<i>2013</i>	<i>2012</i>
Due in less than one year	\$ 5,686,087	\$ 6,747,886
Due in one to five years	12,210,511	14,932,544
Due in more than five years	<u>50,000</u>	<u>75,000</u>
	17,946,598	21,755,430
Present value adjustment	<u>(872,945)</u>	<u>(795,231)</u>
<b>Pledges receivable - net</b>	<b><u>\$ 17,073,653</u></b>	<b><u>\$ 20,960,199</u></b>

At June 30, 2013, one donor accounted for 50% of gross pledges receivable. At June 30, 2012, two donors accounted for 50% of gross pledges receivable. For the year ended June 30, 2013, there was no significant concentration of revenue with any individual donors. For the year ended June 30, 2012, two donors accounted for 28% of revenue.

### *Note 4 - Grants Receivable*

Grants receivable are as follows at June 30:

	<i>2013</i>	<i>2012</i>
Due in less than one year	\$ 1,301,432	\$ 440,050
Due in one to five years	<u>265,000</u>	<u>53,000</u>
	1,566,432	493,050
Present value adjustment	<u>(50,855)</u>	<u>(10,215)</u>
<b>Grants receivable - net</b>	<b><u>\$ 1,515,577</u></b>	<b><u>\$ 482,835</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 5 - Office Equipment, Leasehold Improvements and Traveling Exhibits*

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

	<i>2013</i>	<i>2012</i>
Office equipment	\$ 3,029,129	\$ 2,317,175
Leasehold improvements	2,286,070	2,286,070
Traveling exhibits	<u>1,522,054</u>	<u>1,458,587</u>
	6,837,253	6,061,832
Accumulated depreciation and amortization	<u>(5,082,849)</u>	<u>(4,693,292)</u>
<b>Office equipment, leasehold improvements and traveling exhibits - net</b>	<b><u>\$ 1,754,404</u></b>	<b><u>\$ 1,368,540</u></b>

### *Note 6 - 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 contributes to employee retirement accounts 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 contributed approximately \$1,188,000 and \$1,050,000 to the plan in 2013 and 2012, respectively.

### *Note 7 - 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 \$634,000 and \$709,000 for the years ended June 30, 2013 and 2012, respectively.

Minimum lease payments under noncancelable operating leases are as follows for the years ending June 30:

2014	\$	620,869
2015		617,625
2016		598,377
2017		423,102
2018		243,954
Thereafter		<u>326,095</u>
<b>Total</b>	<b>\$</b>	<b><u>2,830,022</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 8 - 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>2013</i>	<i>2012</i>
Unrestricted pledges receivable - net of discount (time restricted)	\$ 4,676,602	\$ 5,021,435
Unrestricted and temporarily restricted grants receivable - net of discount (time and purpose restricted)	1,515,577	482,835
Temporarily restricted pledges receivable - net of discount (time and purpose restricted)	<u>5,994,269</u>	<u>8,306,808</u>
 Total temporarily restricted pledges and grants receivable	 12,186,448	 13,811,078
 Contributions designated for specific purposes	 817,809	 1,750,386
Accumulated appreciation on permanently restricted net assets	<u>2,597,327</u>	<u>809,695</u>
 <b>Temporarily restricted net assets</b>	 <b><u>\$ 15,601,584</u></b>	 <b><u>\$ 16,371,159</u></b>

Payments made on unrestricted pledges receivable result in reclassification of the funds to unrestricted net assets. Funds related to payments on purpose 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>2013</i>	<i>2012</i>
Pledges receivable	\$ 6,405,695	\$ 7,631,954
 Investments to be held in perpetuity, the income from which is expendable for general and specific operating support	 <u>15,677,804</u>	 <u>13,496,185</u>
 <b>Permanently restricted net assets</b>	 <b><u>\$ 22,083,499</u></b>	 <b><u>\$ 21,128,139</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 8 - 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, 2013:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 2,597,326	\$ 15,677,804	\$ 18,275,130
Board-designated endowment funds	100,000	-	-	100,000
<b>Total funds</b>	<b>\$ 100,000</b>	<b>\$ 2,597,326</b>	<b>\$ 15,677,804</b>	<b>\$ 18,375,130</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, 2012:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 809,695	\$ 13,496,185	\$ 14,305,880
Board-designated endowment funds	100,000	-	-	100,000
<b>Total funds</b>	<b>\$ 100,000</b>	<b>\$ 809,695</b>	<b>\$ 13,496,185</b>	<b>\$ 14,405,880</b>

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

*Notes to Financial Statements*

*Note 8 - 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, 2013:

	<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	\$ 809,695	\$ 13,496,185	\$ 14,405,880
Cash transferred to investment managers associated with gifts and additions	-	-	2,181,619	2,181,619
Investment returns:				
Interest and dividends, net of fees	-	(24,447)	-	(24,447)
Net realized and unrealized gains (losses)	-	2,228,047	-	2,228,047
Expenditures:				
Funds transferred to unrestricted as previously allocated under spending policy	-	(415,969)	-	(415,969)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>2,597,326</u></b>	<b>\$ <u>15,677,804</u></b>	<b>\$ <u>18,375,130</u></b>

# FACING HISTORY AND OURSELVES NATIONAL FOUNDATION, INC.

## *Notes to Financial Statements*

### *Note 8 - 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, 2012:

	<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	\$ 1,384,669	\$ 6,191,928	\$ 7,676,597
Cash transferred to investment managers associated with gifts and additions	-	-	7,304,257	7,304,257
Investment returns:				
Interest and dividends, net of fees	-	(10,082)	-	(10,082)
Net realized and unrealized gains (losses)	-	(290,656)	-	(290,656)
Expenditures:				
Funds transferred to unrestricted as previously allocated under spending policy	-	(274,236)	-	(274,236)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>809,695</u></b>	<b>\$ <u>13,496,185</u></b>	<b>\$ <u>14,405,880</u></b>

### *Endowment*

Facing History's endowment consists of approximately 13 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 8 - 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 this policy, the Board of Directors has authorized an appropriation for operations of \$593,515 for the fiscal year ended June 30, 2014.

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 \$11,399 and \$42,496 as of June 30, 2013 and 2012, 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 8 - 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 9 - 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>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Due from related parties	\$ <u>453,000</u>	\$ <u>391,000</u>	\$ <u>29,000</u>	\$ <u>188,000</u>

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

	<i>Canada</i>		<i>Limited</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Costs charged for services	\$ 62,000	\$ 57,000	\$ 74,000	\$ 38,000
Net grants (made) received	<u>-</u>	<u>54,000</u>	<u>(233,000)</u>	<u>(412,000)</u>
<b>Net activity</b>	<b>\$ <u>62,000</u></b>	<b>\$ <u>111,000</u></b>	<b>\$ <u>(159,000)</u></b>	<b>\$ <u>(374,000)</u></b>