

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

**June 30, 2015 and 2014**



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

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

## ***Financial Statements***

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### *Independent Auditors' Report*

Board of Directors  
Facing History and Ourselves, Inc.  
Brookline, Massachusetts

We have audited the accompanying financial statements of Facing History and Ourselves, Inc. ("Facing History"), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 and Ourselves, Inc. as of June 30, 2015 and 2014, 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.

*Mayer Heffman McCann P.C.*

September 16, 2015  
Boston, Massachusetts

# FACING HISTORY AND OURSELVES, INC.

## *Statements of Financial Position*

*June 30,*

	<i>2015</i>	<i>2014</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,704,030	\$ 3,622,893
Investments	27,905,000	30,002,548
Accounts receivable - less allowance for doubtful accounts of \$1,600 in 2015 and 2014	106,590	214,962
Prepaid expenses and other assets	613,843	528,235
Pledges receivable - net	10,348,086	13,860,270
Grants receivable - net	1,112,794	1,181,825
Office equipment, leasehold improvements and traveling exhibits - net	<u>1,712,001</u>	<u>1,842,958</u>
<b>Total assets</b>	<b>\$ <u>45,502,344</u></b>	<b>\$ <u>51,253,691</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,137,987	\$ 1,614,202
Deferred revenue	1,750	13,250
Due to related parties	<u>216,383</u>	<u>290,380</u>
<b>Total liabilities</b>	<b><u>1,356,120</u></b>	<b><u>1,917,832</u></b>
Net assets:		
Unrestricted:		
Undesignated	10,375,939	12,002,794
Board designated	<u>100,000</u>	<u>100,000</u>
<b>Total unrestricted net assets</b>	<b>10,475,939</b>	<b>12,102,794</b>
Temporarily restricted	11,278,316	14,952,401
Permanently restricted	<u>22,391,969</u>	<u>22,280,664</u>
<b>Total net assets</b>	<b><u>44,146,224</u></b>	<b><u>49,335,859</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>45,502,344</u></b>	<b>\$ <u>51,253,691</u></b>

*See accompanying notes to the financial statements.*

# FACING HISTORY AND OURSELVES, INC.

## *Statements of Activities*

*Years Ended June 30,*

	<b>2015</b>				<b>2014</b>
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
Support and revenue:					
Contributions and special event revenue	\$ 14,290,351	\$ 5,294,516	\$ 111,305	\$ 19,696,172	\$ 20,009,917
Less: Costs of direct benefits to donors	<u>(634,908)</u>	<u>-</u>	<u>-</u>	<u>(634,908)</u>	<u>(734,213)</u>
<b>Total contributions and special event revenue, net</b>	<b>13,655,443</b>	<b>5,294,516</b>	<b>111,305</b>	<b>19,061,264</b>	<b>19,275,704</b>
Contributions in-kind	478,302	-	-	478,302	644,055
Fees	1,094,205	-	-	1,094,205	946,430
Sales of books and materials	54,072	-	-	54,072	49,100
Spending rate transfer appropriated for operations	803,500	-	-	803,500	593,520
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>8,380,353</u>	<u>(8,380,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<b><u>24,465,875</u></b>	<b><u>(3,085,837)</u></b>	<b><u>111,305</u></b>	<b><u>21,491,343</u></b>	<b><u>21,508,809</u></b>
Expenses:					
Program services	21,275,008	-	-	21,275,008	19,542,239
General administration	1,777,290	-	-	1,777,290	1,673,778
Fundraising	<u>3,158,878</u>	<u>-</u>	<u>-</u>	<u>3,158,878</u>	<u>3,344,896</u>
<b>Total expenses</b>	<b><u>26,211,176</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>26,211,176</u></b>	<b><u>24,560,913</u></b>
<b>Change in net assets from operations</b>	<b>(1,745,301)</b>	<b>(3,085,837)</b>	<b>111,305</b>	<b>(4,719,833)</b>	<b>(3,052,104)</b>
Investment income and gains on unrestricted investments	118,446	-	-	118,446	758,391
Investment income and gains on endowment	-	215,252	-	215,252	1,642,337
Spending rate transfer appropriated for operations	<u>-</u>	<u>(803,500)</u>	<u>-</u>	<u>(803,500)</u>	<u>(593,520)</u>
<b>Change in net assets</b>	<b>(1,626,855)</b>	<b>(3,674,085)</b>	<b>111,305</b>	<b>(5,189,635)</b>	<b>(1,244,896)</b>
Net assets - beginning of year	<u>12,102,794</u>	<u>14,952,401</u>	<u>22,280,664</u>	<u>49,335,859</u>	<u>50,580,755</u>
<b>Net assets - end of year</b>	<b>\$ <u>10,475,939</u></b>	<b>\$ <u>11,278,316</u></b>	<b>\$ <u>22,391,969</u></b>	<b>\$ <u>44,146,224</u></b>	<b>\$ <u>49,335,859</u></b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES, INC.

## *Statement of Activities*

*Year Ended June 30, 2014*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and special event revenue	\$ 10,577,309	\$ 9,235,443	\$ 197,165	\$ 20,009,917
Less: Costs of direct benefits to donors	<u>(734,213)</u>	<u>-</u>	<u>-</u>	<u>(734,213)</u>
<b>Total contributions and special event revenue, net</b>	<b>9,843,096</b>	<b>9,235,443</b>	<b>197,165</b>	<b>19,275,704</b>
Contributions in-kind	644,055	-	-	644,055
Fees	946,430	-	-	946,430
Sales of books and materials	49,100	-	-	49,100
Spending rate transfer appropriated for operations	593,520	-	-	593,520
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>10,933,443</u>	<u>(10,933,443)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<b><u>23,009,644</u></b>	<b><u>(1,698,000)</u></b>	<b><u>197,165</u></b>	<b><u>21,508,809</u></b>
Expenses:				
Program services	19,542,239	-	-	19,542,239
General administration	1,673,778	-	-	1,673,778
Fundraising	<u>3,344,896</u>	<u>-</u>	<u>-</u>	<u>3,344,896</u>
<b>Total expenses</b>	<b><u>24,560,913</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>24,560,913</u></b>
<b>Change in net assets from operations</b>	<b>(1,551,269)</b>	<b>(1,698,000)</b>	<b>197,165</b>	<b>(3,052,104)</b>
Investment income and gains on unrestricted investments	758,391	-	-	758,391
Investment income and gains on endowment	-	1,642,337	-	1,642,337
Spending rate transfer appropriated for operations	<u>-</u>	<u>(593,520)</u>	<u>-</u>	<u>(593,520)</u>
<b>Change in net assets</b>	<b>(792,878)</b>	<b>(649,183)</b>	<b>197,165</b>	<b>(1,244,896)</b>
Net assets - beginning of year	<u>12,895,672</u>	<u>15,601,584</u>	<u>22,083,499</u>	<u>50,580,755</u>
<b>Net assets - end of year</b>	<b>\$ <u>12,102,794</u></b>	<b>\$ <u>14,952,401</u></b>	<b>\$ <u>22,280,664</u></b>	<b>\$ <u>49,335,859</u></b>

See accompanying notes to the financial statements.

# FACING HISTORY AND OURSELVES, INC.

## *Statements of Functional Expenses*

*Years Ended June 30,*

	<i>2015</i>				<i>2014</i>
	<i>Program Services</i>	<i>General Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries, payroll taxes and employee benefits	\$ 15,005,768	\$ 1,245,747	\$ 2,146,775	\$ 18,398,290	\$ 17,054,186
Professional services	3,024,899	298,638	438,306	3,761,843	3,650,887
Cost of text sales	39,851	-	1,324	41,175	110,554
Audiovisual and books	53,860	362	1,551	55,773	63,844
Depreciation and amortization	530,214	44,017	75,854	650,085	577,941
Travel and hosting	770,542	26,701	170,806	968,049	863,787
Rent and utilities	684,078	56,757	97,822	838,657	704,251
Office supplies and expenses	398,893	23,271	24,401	446,565	528,467
Printing	131,811	54	108,811	240,676	222,912
Accounting and legal	62,906	61,534	9,000	133,440	130,856
Communications	199,924	2,076	3,495	205,495	250,962
Postage and shipping	133,074	8,351	43,105	184,530	160,941
Machine maintenance	146,169	9,619	14,194	169,982	134,490
Event services	93,019	163	23,434	116,616	106,835
<b>Total</b>	<b>\$ <u>21,275,008</u></b>	<b>\$ <u>1,777,290</u></b>	<b>\$ <u>3,158,878</u></b>	<b>\$ <u>26,211,176</u></b>	<b>\$ <u>24,560,913</u></b>

See accompanying notes to the financial statements.



# FACING HISTORY AND OURSELVES, INC.

## *Statement of Functional Expenses*

*Year Ended June 30, 2014*

	<u><i>Program Services</i></u>	<u><i>General Administration</i></u>	<u><i>Fundraising</i></u>	<u><i>Total</i></u>
Salaries, payroll taxes and employee benefits	\$ 13,685,334	\$ 1,094,218	\$ 2,274,634	\$ 17,054,186
Professional services	2,997,208	255,719	397,960	3,650,887
Cost of text sales	91,628	-	18,926	110,554
Audiovisual and books	61,483	397	1,964	63,844
Depreciation and amortization	463,776	37,081	77,084	577,941
Travel and hosting	637,466	40,954	185,367	863,787
Rent and utilities	532,889	82,791	88,571	704,251
Office supplies and expenses	436,404	31,114	60,949	528,467
Printing	123,388	336	99,188	222,912
Accounting and legal	32,854	92,541	5,461	130,856
Communications	202,417	15,006	33,539	250,962
Postage and shipping	104,476	8,699	47,766	160,941
Machine maintenance	99,278	14,922	20,290	134,490
Event services	73,638	-	33,197	106,835
<b>Total</b>	<b>\$ <u>19,542,239</u></b>	<b>\$ <u>1,673,778</u></b>	<b>\$ <u>3,344,896</u></b>	<b>\$ <u>24,560,913</u></b>

# FACING HISTORY AND OURSELVES, INC.

## *Statements of Cash Flows*

*Years Ended June 30,*

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (5,189,635)	\$ (1,244,896)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	650,085	577,941
Permanently restricted contributions	(470,219)	(1,019,128)
Interest and dividends on investments	(134,078)	(118,633)
Realized/unrealized gains on investments	(199,620)	(2,282,093)
Changes in:		
Accounts receivable	108,372	20,274
Prepaid expenses and other assets	(85,608)	209,896
Due from related parties	-	482,465
Pledges receivable	3,512,184	3,213,383
Grants receivable	69,031	333,752
Accounts payable and accrued expenses	(476,215)	427,116
Deferred revenue	(11,500)	2,526
Due to related parties	(73,997)	290,380
<b>Net cash provided by (used in) operating activities</b>	<b><u>(2,301,200)</u></b>	<b><u>892,983</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(68,754)	(996,293)
Proceeds from sale of investments	2,500,000	-
Purchases of office equipment, leasehold improvements and traveling exhibits	(519,128)	(666,495)
<b>Net cash provided by (used in) investing activities</b>	<b><u>1,912,118</u></b>	<b><u>(1,662,788)</u></b>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for endowment	470,219	1,019,128
<b>Net cash provided by financing activities</b>	<b><u>470,219</u></b>	<b><u>1,019,128</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>81,137</b>	<b>249,323</b>
Cash and cash equivalents - beginning of year	<u>3,622,893</u>	<u>3,373,570</u>
<b>Cash and cash equivalents - end of year</b>	<b>\$ <u><u>3,704,030</u></u></b>	<b>\$ <u><u>3,622,893</u></u></b>

See accompanying notes to the financial statements.

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

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

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

Facing History and Ourselves, 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 unfolds, 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 is included in temporarily restricted net assets until appropriated by the Board.

# **FACING HISTORY AND OURSELVES, 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 reserve for doubtful accounts, discount rates and allowances for pledges and grants receivable, decisions over what to capitalize and useful lives of depreciable assets, the validity and completeness of the satisfaction of donor restrictions, the valuation of alternative investments and functional allocation of expenses.

#### ***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. Also included in cash and cash equivalents are funds received by Facing History held for pending transfer to one of its affiliates as more fully described in Note 9.

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. Investments are managed pursuant to an investment policy as approved by the Board of Directors.

# **FACING HISTORY AND OURSELVES, 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, 2015 or 2014.

#### ***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, 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.

#### ***Workshops and Seminars***

The proceeds from workshops and seminars are reported in the statements of activities as fees. Revenue is recognized upon completion of the related workshop or seminar. Any proceeds that have been received in advance of completion are reported in the statements of financial position as deferred revenue.

#### ***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.

# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

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

#### *Uncertain Tax Positions (Continued)*

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.

#### *Subsequent Events*

Facing History has evaluated subsequent events through September 16, 2015, 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:

	<i>2015</i>	<i>2014</i>
Interest in Jewish Community Endowment Pool LLP (Multi-Strategy Investment Fund)	\$ <u>27,905,000</u>	\$ <u>30,002,548</u>
<b>Investments</b>	<b>\$ <u>27,905,000</u></b>	<b>\$ <u>30,002,548</u></b>

Facing History has an ownership interest in the Jewish Community Endowment Pool LLP (“JCEP”) which was created in 1998 by 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 investment returns and custodial costs relative to their investments in the fund. Facing History utilizes this platform in carrying out the investment policy as approved by the Board of Directors.

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 two weeks allowing for monthly redemptions of balances. There were no transfers between levels in 2015 or 2014. 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, 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>2015</i>	<i>2014</i>
Investments, beginning of year	\$ 30,002,548	\$ 26,605,529
Additions to the investment fund from new gifts and cash flow	68,754	996,293
Withdrawal for cash flow purposes	(2,500,000)	-
Investment returns:		
Interest and dividend income	134,078	118,633
Realized gains on investments, net of fees	839,021	992,799
Change in net unrealized gains and losses on investments	(639,401)	1,289,294
Total investment returns	<u>333,698</u>	<u>2,400,726</u>
<b>Investments, end of year</b>	<b>\$ <u>27,905,000</u></b>	<b>\$ <u>30,002,548</u></b>

Investment return is presented as follows:

	<i>2015</i>	<i>2014</i>
Investment income and gains on unrestricted endowment	\$ 118,446	\$ 758,391
Investment income and gains on endowment	<u>215,252</u>	<u>1,642,337</u>
<b>Total investment returns</b>	<b>\$ <u>333,698</u></b>	<b>\$ <u>2,400,728</u></b>

After June 30, 2015, fair values of investments declined by a notable amount given recent trends in stock and other securities markets.



# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

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

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.

### *Note 3 - Pledges Receivable*

Pledges receivable are as follows at June 30:

	<i>2015</i>	<i>2014</i>
Due in less than one year	\$ 5,388,260	\$ 9,674,933
Due in one to five years	5,220,374	4,769,168
Due in more than five years	<u>25,000</u>	<u>25,000</u>
	10,633,634	14,469,101
Present value adjustment	<u>(285,548)</u>	<u>(608,831)</u>
<b>Pledges receivable - net</b>	<b><u>\$ 10,348,086</u></b>	<b><u>\$ 13,860,270</u></b>

At June 30, 2015 and 2014, one donor accounted for 47% and 56% of gross pledges receivable, respectively. For the years ended June 30, 2015 and 2014, there were no significant concentration of revenue with any individual donors.

# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

### ***Note 4 - Grants Receivable***

Grants receivable are as follows at June 30:

	<b>2015</b>	<b>2014</b>
Due in less than one year	\$ 762,944	\$ 639,424
Due in one to five years	<u>370,000</u>	<u>600,000</u>
	1,132,944	1,239,424
Present value adjustment	<u>(20,150)</u>	<u>(57,599)</u>
<b>Grants receivable - net</b>	<b>\$ <u>1,112,794</u></b>	<b>\$ <u>1,181,825</u></b>

At June 30, 2015 and 2014, one donor accounted for 27% and 36% of gross grants receivable, respectively. For the years ended June 30, 2015 and 2014, there were no significant concentration of revenue with any individual donors.

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

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

	<b>2015</b>	<b>2014</b>
Office equipment	\$ 4,214,754	\$ 3,695,626
Leasehold improvements	2,286,070	2,286,070
Traveling exhibits	<u>1,522,053</u>	<u>1,522,053</u>
	8,022,877	7,503,749
Accumulated depreciation and amortization	<u>(6,310,876)</u>	<u>(5,660,791)</u>
<b>Office equipment, leasehold improvements and traveling exhibits - net</b>	<b>\$ <u>1,712,001</u></b>	<b>\$ <u>1,842,958</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 \$1,341,000 and \$1,242,000 to the plan in 2015 and 2014, respectively.

# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

### *Note 7 - Lease Commitments*

Facing History leases its primary office facilities and seven other locations under noncancelable operating leases expiring at various dates through fiscal 2021. 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 \$791,000 and \$671,000 for the years ended June 30, 2015 and 2014, respectively.

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

2016	\$ 753,484
2017	778,248
2018	428,216
2019	375,395
2020	317,679
Thereafter	<u>10,529</u>
<b>Total</b>	<b>\$ <u><u>2,663,551</u></u></b>

### *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>2015</i>	<i>2014</i>
Unrestricted pledges receivable - net of discount (time restricted)	\$ 3,135,899	\$ 4,084,933
Unrestricted and temporarily restricted grants receivable - net of discount (time and purpose restricted)	1,112,794	1,181,826
Temporarily restricted pledges receivable - net of discount (time and purpose restricted)	<u>2,022,003</u>	<u>4,226,178</u>
 Total temporarily restricted pledges and grants receivable	 6,270,696	 9,492,937
 Contributions designated for specific purposes	 1,949,725	 1,813,321
Accumulated appreciation on permanently restricted net assets	<u>3,057,895</u>	<u>3,646,143</u>
 <b>Temporarily restricted net assets</b>	 <b>\$ <u><u>11,278,316</u></u></b>	 <b>\$ <u><u>14,952,401</u></u></b>

# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

### *Note 8 - Net Assets and Endowment Matters (Continued)*

#### *Temporarily Restricted Net Assets (Continued)*

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>2015</i>	<i>2014</i>
Pledges receivable - net of discount	\$ 5,190,184	\$ 5,549,159
Investments to be held in perpetuity, the income from which is expendable for general and specific operating support	16,731,505	16,731,505
Cash pending transfer to investment managers associated with gifts and collections	<u>470,280</u>	<u>-</u>
<b>Permanently restricted net assets</b>	<b><u>\$ 22,391,969</u></b>	<b><u>\$ 22,280,664</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, 2015:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,057,895	\$ 17,201,785	\$ 20,259,680
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>\$ 3,057,895</u></b>	<b><u>\$ 17,201,785</u></b>	<b><u>\$ 20,359,680</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, 2014:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,646,143	\$ 16,731,505	\$ 20,377,648
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>\$ 3,646,143</u></b>	<b><u>\$ 16,731,505</u></b>	<b><u>\$ 20,477,648</u></b>

# FACING HISTORY AND OURSELVES, 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, 2015:

	<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	\$ 3,646,143	\$ 16,731,505	\$ 20,477,648
Cash pending transfer to investment managers associated with gifts and collections	-	-	470,280	470,280
Investment returns:				
Interest and dividends, net of fees	-	(17,991)	-	(17,991)
Net realized and unrealized gains	-	233,243	-	233,243
Expenditures:				
Funds transferred to unrestricted as allocated under spending policy	<u>-</u>	<u>(803,500)</u>	<u>-</u>	<u>(803,500)</u>
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>3,057,895</u></b>	<b>\$ <u>17,201,785</u></b>	<b>\$ <u>20,359,680</u></b>

# FACING HISTORY AND OURSELVES, 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, 2014:

	<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	\$ 2,597,326	\$ 15,677,804	\$ 18,375,130
Cash transferred to and pending transfer to investment managers associated with gifts and additions	-	-	1,053,701	1,053,701
Investment returns:				
Interest and dividends, net of fees	-	(8,395)	-	(8,395)
Net realized and unrealized gains	-	1,650,732	-	1,650,732
Expenditures:				
Funds transferred to unrestricted as allocated under spending policy	-	(593,520)	-	(593,520)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>3,646,143</u></b>	<b>\$ <u>16,731,505</u></b>	<b>\$ <u>20,477,648</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, 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 are reinvested and increase temporarily restricted net assets. In accordance with this policy, the Board of Directors has authorized an appropriation for operations of \$1,010,374 for the fiscal year ending June 30, 2016.

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, there are no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2015 and 2014.

#### ***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.

#### ***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.

# FACING HISTORY AND OURSELVES, INC.

## *Notes to Financial Statements*

### *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. In 2014, the Board of Facing History adopted a policy that the organization would no longer charge fees for the services provided each year. As independent entities, the accounts of these entities are not consolidated with the accounts of Facing History.

Due to related parties represents gifts received and held by Facing History for the benefit of Limited and Canada. Net payables (receivables) due to Facing History from these entities are as follows at June 30:

	<i>Canada</i>		<i>Limited</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Due to (from) related parties	\$ <u>(530)</u>	\$ <u>-</u>	\$ <u>216,913</u>	\$ <u>290,380</u>