



Financial Statements
Facing History and Ourselves, Inc.
June 30, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Facing History adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mayer Hoffmann McCann P.C.

October 2, 2019
Boston, Massachusetts

FACING HISTORY AND OURSELVES, INC.

Statements of Financial Position

June 30,

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,890,463	\$ 4,960,584
Investments:		
Without donor restrictions	5,078,224	4,979,230
Endowment and funds functioning as endowment	20,586,845	20,964,469
Accounts receivable - net	138,382	211,062
Due from related parties	92,599	21,616
Prepaid expenses and other assets	830,281	435,214
Pledges receivable - net	19,066,906	11,864,843
Grants receivable - net	4,528,733	8,700,808
Office equipment and leasehold improvements - net	<u>1,004,487</u>	<u>822,524</u>
Total assets	<u>\$ 54,216,920</u>	<u>\$ 52,960,350</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,525,067	\$ 825,637
Deferred revenue	7,240	8,070
Due to related parties	<u>60,065</u>	<u>291,837</u>
Total liabilities	<u>1,592,372</u>	<u>1,125,544</u>
Net assets:		
Without donor restrictions	6,316,003	7,859,592
With donor restrictions	<u>46,308,545</u>	<u>43,975,214</u>
Total net assets	<u>52,624,548</u>	<u>51,834,806</u>
Total liabilities and net assets	<u>\$ 54,216,920</u>	<u>\$ 52,960,350</u>

FACING HISTORY AND OURSELVES, INC.

Statement of Activities

Year Ended June 30, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and special event revenue	\$ 11,312,831	\$ 15,929,139	\$ 27,241,970	\$ 30,732,122
Less: Costs of direct benefits to donors	(553,010)	-	(553,010)	(490,854)
Total contributions and special event revenue, net	10,759,821	15,929,139	26,688,960	30,241,268
Contributions in-kind	747,604	-	747,604	698,479
Fees	1,450,119	-	1,450,119	1,035,620
Sales of books and materials	54,902	-	54,902	79,249
Spending rate transfer appropriated for operations	1,028,639	-	1,028,639	1,014,476
Investment return on investments without donor restrictions	133,811	-	133,811	449,150
Net assets released from restrictions - satisfaction of time and purpose restrictions	13,183,367	(13,183,367)	-	-
Total support and revenue	27,358,263	2,745,772	30,104,035	33,518,242
Expenses:				
Program services	22,133,457	-	22,133,457	21,607,811
General administration	1,845,388	-	1,845,388	1,875,301
Fundraising	4,886,640	-	4,886,640	3,307,533
Total expenses	28,865,485	-	28,865,485	26,790,645
Change in net assets from operations	(1,507,222)	2,745,772	1,238,550	6,727,597
Investment return on endowment	-	616,198	616,198	1,358,610
Loss on disposal of office equipment and leasehold improvements	(36,367)	-	(36,367)	-
Spending rate transfer appropriated for operations	-	(1,028,639)	(1,028,639)	(1,014,476)
Loss on change in pledge and grant receivable discount	-	-	-	(23,148)
Change in net assets	(1,543,589)	2,333,331	789,742	7,048,583
Net assets - beginning of year	7,859,592	43,975,214	51,834,806	44,786,223
Net assets - end of year	\$ 6,316,003	\$ 46,308,545	\$ 52,624,548	\$ 51,834,806

FACING HISTORY AND OURSELVES, INC.

Statement of Activities

Year Ended June 30, 2018

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Contributions and special event revenue	\$ 13,065,674	\$ 17,666,448	\$ 30,732,122
Less: Costs of direct benefits to donors	<u>(490,854)</u>	<u>-</u>	<u>(490,854)</u>
Total contributions and special event revenue, net	12,574,820	17,666,448	30,241,268
Contributions in-kind	698,479	-	698,479
Fees	1,035,620	-	1,035,620
Sales of books and materials	79,249	-	79,249
Spending rate transfer appropriated for operations	1,014,476	-	1,014,476
Investment return on investments without donor restrictions	449,150	-	449,150
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>11,227,328</u>	<u>(11,227,328)</u>	<u>-</u>
Total support and revenue	<u>27,079,122</u>	<u>6,439,120</u>	<u>33,518,242</u>
Expenses:			
Program services	21,607,811	-	21,607,811
General administration	1,875,301	-	1,875,301
Fundraising	<u>3,307,533</u>	<u>-</u>	<u>3,307,533</u>
Total expenses	<u>26,790,645</u>	<u>-</u>	<u>26,790,645</u>
Change in net assets from operations	288,477	6,439,120	6,727,597
Investment return on endowment	-	1,358,610	1,358,610
Spending rate transfer appropriated for operations	-	(1,014,476)	(1,014,476)
Loss on change in pledge and grant receivable discount	<u>-</u>	<u>(23,148)</u>	<u>(23,148)</u>
Change in net assets	288,477	6,760,106	7,048,583
Net assets - beginning of year	<u>7,571,115</u>	<u>37,215,108</u>	<u>44,786,223</u>
Net assets - end of year	<u>\$ 7,859,592</u>	<u>\$ 43,975,214</u>	<u>\$ 51,834,806</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statement of Functional Expenses

*Year Ended June 30, 2019
(with comparative totals for 2018)*

	2019			2018	
	<i>Program Services</i>	<i>General Administration</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salary and benefits	\$ 15,042,992	\$ 1,089,263	\$ 3,181,043	\$ 19,313,298	\$18,258,106
Management and technical consulting services	2,114,169	294,955	825,470	3,234,594	2,932,162
Program consultants and contractors	408,468	194	6,148	414,810	471,582
Professional services	473,097	274,589	52,287	799,973	481,183
Other services	870,838	28,526	209,366	1,108,730	738,874
Materials and supplies	713,894	56,025	132,733	902,652	822,824
Communications	131,422	9,651	27,585	168,658	231,886
Travel	623,968	12,981	117,321	754,270	972,002
Food for events, workshops and seminars	358,315	2,988	23,956	385,259	383,527
Printing and postage	191,895	4,558	88,113	284,566	251,851
Books and publications	358,245	10,391	43,687	412,323	111,362
Rent and utilities	690,459	49,993	146,007	886,459	841,909
Depreciation and amortization	155,695	11,274	32,924	199,893	293,377
Total	<u>\$ 22,133,457</u>	<u>\$ 1,845,388</u>	<u>\$ 4,886,640</u>	<u>\$ 28,865,485</u>	<u>\$26,790,645</u>

FACING HISTORY AND OURSELVES, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

	<i>Program Services</i>	<i>General Administration</i>	<i>Fundraising</i>	<i>Total</i>
Salary and benefits	\$ 15,025,535	\$ 914,143	\$ 2,318,428	\$ 18,258,106
Management and technical consulting services	1,900,092	644,526	387,544	2,932,162
Program consultants and contractors	468,683	533	2,366	471,582
Professional services	305,465	140,174	35,544	481,183
Other services	632,299	19,535	87,040	738,874
Materials and supplies	721,965	38,810	62,049	822,824
Communications	213,635	5,122	13,129	231,886
Travel	820,553	21,865	129,584	972,002
Food for events, workshops and seminars	336,284	5,797	41,446	383,527
Printing and postage	154,739	12,258	84,854	251,851
Books and publications	95,822	3,784	11,756	111,362
Rent and utilities	690,682	54,241	96,986	841,909
Depreciation and amortization	242,057	14,513	36,807	293,377
Total	<u><u>\$ 21,607,811</u></u>	<u><u>\$ 1,875,301</u></u>	<u><u>\$ 3,307,533</u></u>	<u><u>\$ 26,790,645</u></u>

FACING HISTORY AND OURSELVES, INC.

Statements of Cash Flows

Years Ended June 30,

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 789,742	\$ 7,048,583
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	199,893	293,377
Net investment return	(750,009)	(1,807,760)
Loss on disposal of office equipment and leasehold improvements	36,367	-
Changes in:		
Accounts receivable	72,680	68,679
Prepaid expenses and other assets	(395,067)	290,899
Pledges receivable - net	(7,202,063)	741,300
Grants receivable - net	4,172,075	(6,575,952)
Accounts payable and accrued expenses	699,430	(388,602)
Deferred revenue	(830)	(5,390)
Due to/from related parties	(302,755)	803
	(2,680,537)	(334,063)
Cash flows from investing activities:		
Purchase of investments	-	(3,006,508)
Proceeds from sale of investments	1,028,639	4,014,277
Purchases of office equipment and leasehold improvements	(418,223)	(355,406)
	610,416	652,363
Net increase (decrease) in cash and cash equivalents	(2,070,121)	318,300
Cash and cash equivalents - beginning of year	4,960,584	4,642,284
Cash and cash equivalents - end of year	\$ 2,890,463	\$ 4,960,584

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 21st 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

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that Facing History report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Facing History maintains board designated net assets totaling \$100,000 for the years ended June 30, 2019 and 2018. This category also includes the net investment in office equipment and leasehold improvements.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by passage of time or the use of such resources consistent with donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but for the application of a spending policy over such funds as described later in these notes.

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 are stated at cost plus accrued interest and 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.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

Investments and Investment Return

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

Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses incurred during the period.

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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 unless the Net Asset Value ("NAV") is used as the method of valuation. NAV is considered a practical expedient and is deemed 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 financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique as follows:

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

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

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

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

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)

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. It is possible that redemption rights may be restricted or eliminated by the investment manager under unusual circumstances in accordance with the underlying fund agreements.

Pledges and Grants Receivable and Contribution Revenue

Pledges and grants are initially recorded at fair value as contribution revenue when verifiably committed by the donor. Pledges are characterized as individual donor and family foundations while grants tend to be donor commitments from foundations, corporations and other institutions. 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 pledges 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, 2019 or 2018.

Contribution revenue is reported as with donor restrictions if such gift or pledge has time, purpose or endowment type restrictions associated with it. Expiration of donor-imposed restrictions and net assets such as when the donor purpose has been fulfilled and/or the time restriction has elapsed are reported as net assets released from restrictions. All other contributions are reported as without donor restrictions.

Office Equipment and Leasehold Improvements

Office equipment and leasehold improvements are stated at cost when the useful life is greater than one year and when such amounts exceed a management established capitalization threshold. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to leasehold improvements.

Depreciation of office equipment is computed using the straight-line method over three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the life of the asset.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

Special Events Revenue

Special events revenue 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.

Fees

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.

Contributions In-kind

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. 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.

Functional Expense Allocations

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

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.

Reclassifications

Certain amounts from the prior year’s financial statements were reclassified in order to conform to the current year’s financial statements.

New Accounting Pronouncement

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

FACING HISTORY AND OURSELVES, 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 October 2, 2019, the date the financial statements were authorized to be issued.

Note 2 - Liquidity and Availability

Facing History regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Facing History has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity securities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Facing History considers all expenditures related to its ongoing activities of educational programs and professional development as well as the conduct of services undertaken to support those activities to be general expenditures.

Although not expected to be needed, the spendable yet restricted portion of Facing History's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure preservation of the funds for future use.

As of June 30, 2019, the following tables show the total financial assets held by Facing History and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 2,890,463
Investments and trusts convertible cash in the next 12 months	8,037,937
Accounts receivable - net	138,382
Due from related parties	92,599
Pledges receivable - net	19,066,906
Grants receivable - net	<u>4,528,733</u>
Total financial assets at year end	<u>\$ 34,755,020</u>
Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	\$ 2,890,463
Accounts receivable - net	138,382
Due from related parties	92,599
Contributions and grants for general expenditures due in one year or less	12,768,629
Endowment spending rate distribution and appropriation	1,040,000
Investments not encumbered by donor or board restrictions	<u>5,078,224</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 22,008,297</u>

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 3 - Investments and Fair Value Matters

Investments were comprised of the following at June 30:

	2019	2018
Interest in Jewish Community Endowment Pool LLP (Multi-Strategy Investment Fund)	<u>\$ 25,665,069</u>	<u>\$ 25,943,699</u>
Investments	<u>\$ 25,665,069</u>	<u>\$ 25,943,699</u>

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 at net asset value (“NAV”) per share. Management has no intentions or plans to liquidate its investment at other than NAV per share.

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

	2019	2018
Investments, beginning of year	<u>\$ 25,943,699</u>	<u>\$ 25,143,708</u>
Additions to the investment fund from new gifts and cash flow	-	3,006,508
Spending rate transfer appropriated for operations	(1,028,639)	(1,014,476)
Withdrawal for cash flow purposes	-	(2,999,801)
Net investment return	<u>750,009</u>	<u>1,807,760</u>
Investments, end of year	<u>\$ 25,665,069</u>	<u>\$ 25,943,699</u>

Investment return is presented as follows:

	2019	2018
Investment return on investments with donor restrictions	\$ 616,198	\$ 1,358,610
Investment return on investments without donor restrictions	<u>133,811</u>	<u>449,150</u>
Total investment return	<u>\$ 750,009</u>	<u>\$ 1,807,760</u>

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 3 - 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 4 - Pledges Receivable

Pledges receivable are as follows at June 30:

	2019	2018
Due in less than one year	\$ 9,706,584	\$ 3,016,000
Due in one to five years	<u>9,803,859</u>	<u>9,436,000</u>
	19,510,443	12,452,000
Present value adjustment	<u>(443,537)</u>	<u>(587,157)</u>
Pledges receivable - net	<u>\$ 19,066,906</u>	<u>\$ 11,864,843</u>

At June 30, 2019, two donors accounted for 37% of gross pledges receivable, and at June 30, 2018, one donor accounted for 40% of gross pledges receivable. For the year ended June 30, 2019, three donors accounted for 51% of revenue, and for the year ended June 30, 2018, there were no significant concentrations of revenue with any individual donors.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 5 - Grants Receivable

Grants receivable are as follows at June 30:

	2019	2018
Due in less than one year	\$ 3,062,045	\$ 5,479,970
Due in one to five years	<u>1,543,235</u>	<u>3,446,280</u>
	4,605,280	8,926,250
Present value adjustment	<u>(76,547)</u>	<u>(225,442)</u>
Grants receivable - net	<u>\$ 4,528,733</u>	<u>\$ 8,700,808</u>

At June 30, 2019 and 2018, two donors accounted for 59% and 72% of gross grants receivable, respectively. For the year ended June 30, 2019, there were no significant concentrations of revenue with any individual donors, and for the year ended June 30, 2018, two donors accounted for 32% of revenue.

Note 6 - Office Equipment and Leasehold Improvements

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

	2019	2018
Office equipment	\$ 1,518,855	\$ 4,367,741
Leasehold improvements	1,804,736	2,290,519
Construction in progress	<u>773,851</u>	<u>355,406</u>
	4,097,442	7,013,666
Accumulated depreciation and amortization	<u>(3,092,955)</u>	<u>(6,191,142)</u>
Office equipment and leasehold improvements - net	<u>\$ 1,004,487</u>	<u>\$ 822,524</u>

Facing History disposed of office equipment and leasehold improvements of approximately \$3,351,000 in 2019 and recorded a loss of approximately \$36,000. There were no disposals in 2018.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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. Facing History contributed to employee retirement accounts at a rate of 5% of eligible employee compensation in addition to any elective deferrals made by employees subject to stated plan limitations. Expenses under this plan were approximately \$733,000 and \$678,000 in 2019 and 2018, respectively.

Note 8 - Lease Commitments

Facing History leases its primary office facilities and other locations under noncancelable operating leases expiring at various dates through fiscal 2027. 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. Facing History intends to renew the lease for their headquarters prior to the lease expiration in March 2020.

Rent expense, including operating costs passed through under these leases, aggregated approximately \$799,000 and \$777,000 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$ 764,919
2021	366,809
2022	254,267
2023	272,984
2024	279,126
Thereafter	<u>875,629</u>
Total	<u><u>\$ 2,813,734</u></u>

Note 9 - Line of Credit

Facing History has a revolving line of credit agreement (the "line") with a bank that has a maximum borrowing amount of \$3,000,000. The line is due on demand. The line, which is unsecured, contains certain financial covenants with which Facing History needs to comply. Interest on the line is calculated at the LIBOR Advantage Rate plus 2.00% which was equal to 4.40% at June 30, 2019. There were no borrowings outstanding on the line as of June 30, 2019 or 2018.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters

Net assets are available for the following purposes at June 30:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment corpus	\$ -	\$ 17,527,132	\$ 17,527,132
Accumulated unspent gains on endowment	-	2,959,713	2,959,713
Funds functioning as endowment	100,000	-	100,000
Total endowment and funds functioning as endowment	100,000	20,486,845	20,586,845
Pledges receivable	-	19,066,906	19,066,906
Grants receivable	-	4,528,733	4,528,733
Net investment in office equipment and leasehold improvements	1,004,487	-	1,004,487
Other funds	5,211,516	2,226,061	7,437,577
Total	\$ 6,316,003	\$ 46,308,545	\$ 52,624,548

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment corpus	\$ -	\$ 17,527,132	\$ 17,527,132
Accumulated unspent gains on endowment	-	3,337,337	3,337,337
Funds functioning as endowment	100,000	-	100,000
Total endowment and funds functioning as endowment	100,000	20,864,469	20,964,469
Pledges receivable	-	11,864,843	11,864,843
Grants receivable	-	8,700,808	8,700,808
Net investment in office equipment and leasehold improvements	822,524	-	822,524
Other funds	6,937,068	2,545,094	9,482,162
Total	\$ 7,859,592	\$ 43,975,214	\$ 51,834,806

FACING HISTORY AND OURSELVES, 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:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 20,864,469	\$ 20,964,469
Cash transferred to investment managers associated with gifts and collections	-	34,817	34,817
Investment return	-	616,198	616,198
Expenditures:			
Funds transferred to without donor restrictions as allocated under spending policy	-	(1,028,639)	(1,028,639)
Endowment assets and those functioning as endowment assets, end of year	\$ 100,000	\$ 20,486,845	\$ 20,586,845
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 20,500,335	\$ 20,600,335
Cash transferred to investment managers associated with gifts and collections	-	20,000	20,000
Investment return	-	1,358,610	1,358,610
Expenditures:			
Funds transferred to without donor restrictions as allocated under spending policy	-	(1,014,476)	(1,014,476)
Endowment assets and those functioning as endowment assets, end of year	\$ 100,000	\$ 20,864,469	\$ 20,964,469

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

Endowment

Facing History's endowment consists of approximately 7 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

Absent explicit donor stipulations to the contrary, Facing History retains in perpetuity (a) the original value of gifts donated to the endowment to be held in perpetuity, (b) the original gift value of subsequent gifts to the endowment to be held in perpetuity, and (c) accumulations to the endowment in perpetuity 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 held in perpetuity is retained until those amounts are appropriated for expenditure by Facing History in a manner consistent with the standard of prudence prescribed under the uniform prudent management of institutional fund act as enacted in the Commonwealth of Massachusetts.

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 investments without donor restrictions. Investment returns in excess of those appropriated by applying the spending rule are reinvested and increase net assets with donor restrictions. In accordance with this policy, the Board of Directors has authorized an appropriation for operations of \$1,040,000 for the fiscal year ending June 30, 2020.

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 net assets with donor restrictions as of June 30, 2019 and 2018.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 10 - Net Assets and Endowment Matters (Continued)

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.

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. As independent entities, the accounts of these entities are not consolidated with the accounts of Facing History.

Due to/from related parties represents the net payables (receivables) due to (from) Facing History associated with these entities at June 30:

	Canada		Limited	
	2019	2018	2019	2018
Due to (from) related parties	<u>\$ (92,599)</u>	<u>\$ (21,616)</u>	<u>\$ 60,065</u>	<u>\$ 291,837</u>