



Financial Statements
Facing History and Ourselves, Inc.
June 30, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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 Hoffman McCann P.C.

October 24, 2018
Boston, Massachusetts

FACING HISTORY AND OURSELVES, INC.

Statements of Financial Position

June 30,

	2018	2017
Assets		
Cash and cash equivalents	\$ 4,960,584	\$ 4,642,284
Investments:		
Unrestricted	4,979,230	4,543,373
Endowment and funds functioning as endowment	20,964,469	20,600,335
Accounts receivable - net	211,062	279,741
Prepaid expenses and other assets	435,214	726,113
Pledges receivable - net	11,864,843	12,606,143
Grants receivable - net	8,700,808	2,124,856
Office equipment and leasehold improvements - net	<u>822,524</u>	<u>760,495</u>
Total assets	<u>\$ 52,938,734</u>	<u>\$ 46,283,340</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 825,637	\$ 1,214,239
Deferred revenue	8,070	13,460
Due to related parties	<u>270,221</u>	<u>269,418</u>
Total liabilities	<u>1,103,928</u>	<u>1,497,117</u>
Net assets:		
Unrestricted:		
Undesignated	7,759,592	7,471,115
Board designated	<u>100,000</u>	<u>100,000</u>
Total unrestricted net assets	7,859,592	7,571,115
Temporarily restricted	21,692,158	14,908,904
Permanently restricted	<u>22,283,056</u>	<u>22,306,204</u>
Total net assets	<u>51,834,806</u>	<u>44,786,223</u>
Total liabilities and net assets	<u>\$ 52,938,734</u>	<u>\$ 46,283,340</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statements of Activities

Years Ended June 30,

	2018			2017
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and special event revenue	\$ 13,065,674	\$ 17,666,448	\$ -	\$ 30,732,122
Less: Costs of direct benefits to donors	(490,854)	-	-	(490,854)
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 unrestricted investments	449,150	-	-	449,150
Net assets released from restrictions - satisfaction of time and purpose restrictions	11,227,328	(11,227,328)	-	-
Total support and revenue	27,079,122	6,439,120	-	33,518,242
Expenses:				
Program services	21,607,811	-	-	21,607,811
General administration	1,875,301	-	-	1,875,301
Fundraising	3,307,533	-	-	3,307,533
Total expenses	26,790,645	-	-	26,790,645
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	-	-	(23,148)	(23,148)
Change in net assets	288,477	6,783,254	(23,148)	7,048,583
Net assets - beginning of year	7,571,115	14,908,904	22,306,204	44,786,223
Net assets - end of year	\$ 7,859,592	\$ 21,692,158	\$ 22,283,056	\$ 51,834,806

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statement of Activities

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and special event revenue	\$ 13,625,888	\$ 13,363,774	\$ 475	\$ 26,990,137
Less: Costs of direct benefits to donors	<u>(680,204)</u>	<u>-</u>	<u>-</u>	<u>(680,204)</u>
Total contributions and special event revenue, net	12,945,684	13,363,774	475	26,309,933
Contributions in-kind	428,798	-	-	428,798
Fees	1,147,749	-	-	1,147,749
Sales of books and materials	43,452	-	-	43,452
Spending rate transfer appropriated for operations	986,508	-	-	986,508
Investment return on unrestricted investments	477,230	-	-	477,230
Net assets released from restrictions - satisfaction of time and purpose restrictions	<u>8,976,164</u>	<u>(8,976,164)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>25,005,585</u>	<u>4,387,610</u>	<u>475</u>	<u>29,393,670</u>
Expenses:				
Program services	19,171,697	-	-	19,171,697
General administration	1,545,489	-	-	1,545,489
Fundraising	<u>2,762,537</u>	<u>-</u>	<u>-</u>	<u>2,762,537</u>
Total expenses	<u>23,479,723</u>	<u>-</u>	<u>-</u>	<u>23,479,723</u>
Change in net assets from operations	1,525,862	4,387,610	475	5,913,947
Investment return on endowment	-	2,155,552	-	2,155,552
Spending rate transfer appropriated for operations	-	(986,508)	-	(986,508)
Loss on change in pledge and grant receivable discount	<u>-</u>	<u>-</u>	<u>(31,352)</u>	<u>(31,352)</u>
Change in net assets	1,525,862	5,556,654	(30,877)	7,051,639
Net assets - beginning of year	<u>6,045,253</u>	<u>9,352,250</u>	<u>22,337,081</u>	<u>37,734,584</u>
Net assets - end of year	<u>\$ 7,571,115</u>	<u>\$ 14,908,904</u>	<u>\$ 22,306,204</u>	<u>\$ 44,786,223</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statements of Functional Expenses

Years Ended June 30,

	2018				2017
	<u>Program</u>	<u>General</u>			
	<u>Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salary and benefits	\$ 15,025,535	\$ 914,143	\$ 2,318,428	\$ 18,258,106	\$ 16,706,929
Management and technical consulting services	1,900,092	644,526	387,544	2,932,162	1,768,793
Program consultants and contractors	468,683	533	2,366	471,582	356,159
Professional services	305,465	140,174	35,544	481,183	615,371
Other services	632,299	19,535	87,040	738,874	637,000
Materials and supplies	721,965	38,810	62,049	822,824	670,007
Communications	213,635	5,122	13,129	231,886	200,276
Travel	820,553	21,865	129,584	972,002	495,055
Food for events, workshops and seminars	336,284	5,797	41,446	383,527	341,588
Printing and postage	154,739	12,258	84,854	251,851	316,868
Books and publications	95,822	3,784	11,756	111,362	138,632
Rent and utilities	690,682	54,241	96,986	841,909	799,540
Depreciation and amortization	242,057	14,513	36,807	293,377	433,505
Total	<u>\$21,607,811</u>	<u>\$ 1,875,301</u>	<u>\$ 3,307,533</u>	<u>\$ 26,790,645</u>	<u>\$ 23,479,723</u>

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statement of Functional Expenses

Year Ended June 30, 2017

	<u><i>Program Services</i></u>	<u><i>General Administration</i></u>	<u><i>Fundraising</i></u>	<u><i>Total</i></u>
Salary and benefits	\$ 13,934,348	\$ 840,269	\$ 1,932,312	\$ 16,706,929
Management and technical consulting services	1,173,370	347,401	248,022	1,768,793
Program consultants and contractors	329,135	1,343	25,681	356,159
Professional services	379,537	200,314	35,520	615,371
Other services	542,409	11,115	83,476	637,000
Materials and supplies	588,939	22,756	58,312	670,007
Communications	191,786	2,620	5,870	200,276
Travel	428,434	7,542	59,079	495,055
Food for events, workshops and seminars	275,608	16,032	49,948	341,588
Printing and postage	187,002	6,853	123,013	316,868
Books and publications	133,700	113	4,819	138,632
Rent and utilities	647,553	66,817	85,170	799,540
Depreciation and amortization	359,876	22,314	51,315	433,505
Total	<u>\$ 19,171,697</u>	<u>\$ 1,545,489</u>	<u>\$ 2,762,537</u>	<u>\$ 23,479,723</u>

FACING HISTORY AND OURSELVES, INC.

Statements of Cash Flows

Years Ended June 30,

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 7,048,583	\$ 7,051,639
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	293,377	433,505
Permanently restricted contributions	-	(30,475)
Interest and dividends on investments	(184,581)	(134,188)
Realized/unrealized gains on investments	(1,623,179)	(2,498,594)
Changes in:		
Accounts receivable	68,679	(132,612)
Prepaid expenses and other assets	290,899	(118,590)
Pledges receivable	741,300	(4,280,999)
Grants receivable	(6,575,952)	585,559
Accounts payable and accrued expenses	(388,602)	755,963
Deferred revenue	(5,390)	(2,512)
Due to related parties	803	(8,653)
Net cash provided by (used in) operating activities	<u>(334,063)</u>	<u>1,620,043</u>
Cash flows from investing activities:		
Purchase of investments	(3,006,508)	(530,475)
Proceeds from sale of investments	4,014,277	1,486,508
Purchases of office equipment and leasehold improvements	<u>(355,406)</u>	<u>(161,575)</u>
Net cash provided by investing activities	<u>652,363</u>	<u>794,458</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	<u>-</u>	<u>30,475</u>
Net cash provided by financing activities	<u>-</u>	<u>30,475</u>
Net increase in cash and cash equivalents	318,300	2,444,976
Cash and cash equivalents - beginning of year	<u>4,642,284</u>	<u>2,197,308</u>
Cash and cash equivalents - end of year	<u>\$ 4,960,584</u>	<u>\$ 4,642,284</u>

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

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 10.

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 unless the Net Asset Value ("NAV") is used as the method of valuation. NAV is considered a practical expedient for the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

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)

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.

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. 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, 2018 or 2017.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

Office Equipment and Leasehold Improvements

Office equipment and leasehold improvements 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.

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.

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. 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.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

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.

Functional Expense Allocations

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

Subsequent Events

Facing History has evaluated subsequent events through October 24, 2018, the date the financial statements were authorized to be issued.

Note 2 - Investments and Fair Value Matters

Investments were comprised of the following at June 30:

	2018	2017
Interest in Jewish Community Endowment Pool LLP (Multi-Strategy Investment Fund)	<u>\$ 25,943,699</u>	<u>\$ 25,143,708</u>
Investments	<u>\$ 25,943,699</u>	<u>\$ 25,143,708</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.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 2 - Investments and Fair Value Matters (Continued)

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.

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 extent of manager and custodial fees.

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

	2018	2017
Investments, beginning of year	<u>\$ 25,143,708</u>	<u>\$ 23,466,959</u>
Additions to the investment fund from new gifts and cash flow	3,006,508	560,950
Spending rate transfer appropriated for operations	(1,014,476)	(986,508)
Withdrawal for cash flow purposes	(2,999,801)	(530,475)
Investment returns:		
Interest and dividend income	184,581	134,188
Realized gains on investments, net of fees	733,127	372,245
Change in net unrealized gains on investments	<u>890,052</u>	<u>2,126,349</u>
Total investment returns	<u>1,807,760</u>	<u>2,632,782</u>
Investments, end of year	<u>\$ 25,943,699</u>	<u>\$ 25,143,708</u>

Investment return is presented as follows:

	2018	2017
Investment return on endowment	\$ 1,358,610	\$ 2,155,552
Investment return on unrestricted investments	<u>449,150</u>	<u>477,230</u>
Total investment returns	<u>\$ 1,807,760</u>	<u>\$ 2,632,782</u>

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:

	2018	2017
Due in less than one year	\$ 3,016,000	\$ 3,155,393
Due in one to five years	9,436,000	10,015,000
	12,452,000	13,170,393
Present value adjustment	(587,157)	(564,250)
Pledges receivable - net	\$ 11,864,843	\$ 12,606,143

At June 30, 2018, one donor accounted for 40% of gross pledges receivable, and at June 30, 2017, two donors accounted for 50% of gross pledges receivable. For the years ended June 30, 2018 and 2017, there were no significant concentrations 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:

	2018	2017
Due in less than one year	\$ 5,479,970	\$ 900,057
Due in one to five years	<u>3,446,280</u>	<u>1,298,000</u>
	8,926,250	2,198,057
Present value adjustment	<u>(225,442)</u>	<u>(73,201)</u>
Grants receivable - net	<u>\$ 8,700,808</u>	<u>\$ 2,124,856</u>

At June 30, 2018, two donors accounted for 72% of gross grants receivable, and at June 30, 2017, three donors accounted for 78% of gross grants receivable. For the year ended June 30, 2018, two donors accounted for 32% of revenue, and for the year ended June 30 2017, there were no significant concentrations of revenue with any individual donors.

Note 5 - Office Equipment and Leasehold Improvements

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

	2018	2017
Office equipment	\$ 4,367,741	\$ 4,367,741
Leasehold improvements	2,290,519	2,290,519
Construction in progress	<u>355,406</u>	<u>-</u>
	7,013,666	6,658,260
Accumulated depreciation and amortization	<u>(6,191,142)</u>	<u>(5,897,765)</u>
Office equipment and leasehold improvements	<u>\$ 822,524</u>	<u>\$ 760,495</u>

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. 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 \$678,000 and \$628,000 in 2018 and 2017, respectively.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 7 - 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.

Rent expense, including operating costs passed through under these leases, aggregated approximately \$777,000 and \$800,000 for the years ended June 30, 2018 and 2017, respectively.

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

2019	\$ 768,147
2020	722,858
2021	348,796
2022	254,267
2023	272,984
Thereafter	<u>1,154,756</u>
Total	<u>\$ 3,521,808</u>

Note 8 - 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 2.95% which was equal to 5.04% at June 30, 2018. There were no borrowings outstanding on the line as of June 30, 2018 and 2017.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 9 - 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:

	2018	2017
Unrestricted pledges receivable - net of discount (time restricted)	\$ 5,299,124	\$ 5,638,159
Unrestricted and temporarily restricted grants receivable - net of discount (time and purpose restricted)	8,700,808	2,124,856
Temporarily restricted pledges receivable - net of discount (time and purpose restricted)	<u>1,809,795</u>	<u>2,188,912</u>
 Total temporarily restricted pledges and grants receivable	 15,809,727	 9,951,927
 Contributions designated for specific purposes	 2,545,094	 1,983,774
Accumulated appreciation on permanently restricted net assets	<u>3,337,337</u>	<u>2,973,203</u>
 Temporarily restricted net assets	 <u>\$ 21,692,158</u>	 <u>\$ 14,908,904</u>

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:

	2018	2017
Pledges receivable - net of discount	\$ 4,755,924	\$ 4,779,072
Investments to be held in perpetuity, the income from which is expendable for general and specific operating support	<u>17,527,132</u>	<u>17,527,132</u>
 Permanently restricted net assets	 <u>\$ 22,283,056</u>	 <u>\$ 22,306,204</u>

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Permanently Restricted Net Assets (Continued)

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

2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,337,337	\$ 17,527,132	\$ 20,864,469
Board-designated endowment funds	100,000	-	-	100,000
Total funds	\$ 100,000	\$ 3,337,337	\$ 17,527,132	\$ 20,964,469

2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,973,203	\$ 17,527,132	\$ 20,500,335
Board-designated endowment funds	100,000	-	-	100,000
Total funds	\$ 100,000	\$ 2,973,203	\$ 17,527,132	\$ 20,600,335

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 9 - 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:

	2018			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 2,973,203	\$ 17,527,132	\$ 20,600,335
Cash transferred to investment managers associated with gifts and collections	-	20,000	-	20,000
Investment returns	-	1,358,610	-	1,358,610
Expenditures:				
Funds transferred to unrestricted as allocated under spending policy	-	(1,014,476)	-	(1,014,476)
Endowment assets and those functioning as endowment assets, end of year	\$ 100,000	\$ 3,337,337	\$ 17,527,132	\$ 20,964,469
	2017			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 1,804,159	\$ 17,496,657	\$ 19,400,816
Cash pending transfer to investment managers associated with gifts and collections	-	-	30,475	30,475
Investment returns	-	2,155,552	-	2,155,552
Expenditures:				
Funds transferred to unrestricted as allocated under spending policy	-	(986,508)	-	(986,508)
Endowment assets and those functioning as endowment assets, end of year	\$ 100,000	\$ 2,973,203	\$ 17,527,132	\$ 20,600,335

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 9 - 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

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

Spending Policy

Facing History 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 \$1,030,000 for the fiscal year ending June 30, 2019.

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

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

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, 2018 and 2017.

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

	Canada		Limited	
	2018	2017	2018	2017
Due to (from) related parties	<u>\$ (21,616)</u>	<u>\$ (17,419)</u>	<u>\$ 291,837</u>	<u>\$ 286,837</u>