



Financial Statements
Facing History and Ourselves, Inc.
June 30, 2021 and 2020



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, 2021 and 2020, 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, 2021 and 2020, 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 Hoffmann McCann P.C.

October 29, 2021
Boston, Massachusetts

FACING HISTORY AND OURSELVES, INC.

Statements of Financial Position

June 30,

	2021	2020
Assets		
Cash and cash equivalents	\$ 11,569,861	\$ 5,980,399
Investments:		
Without donor restrictions	21,465,310	5,028,125
Endowment and funds functioning as endowment	29,617,290	24,339,754
Accounts receivable - net	356,807	247,098
Due from related parties	742	82,617
Prepaid expenses and other assets	384,797	391,737
Pledges receivable - net	9,724,559	13,876,607
Office equipment and leasehold improvements - net	<u>209,255</u>	<u>829,935</u>
Total assets	<u>\$ 73,328,621</u>	<u>\$ 50,776,272</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,806,411	\$ 1,429,889
Deferred revenue	15,200	1,800
Due to related parties	<u>87,003</u>	<u>5,295</u>
Total liabilities	<u>2,908,614</u>	<u>1,436,984</u>
Net assets:		
Without donor restrictions	27,109,256	7,630,483
With donor restrictions	<u>43,310,751</u>	<u>41,708,805</u>
Total net assets	<u>70,420,007</u>	<u>49,339,288</u>
Total liabilities and net assets	<u>\$ 73,328,621</u>	<u>\$ 50,776,272</u>

FACING HISTORY AND OURSELVES, INC.

Statement of Activities

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and special event revenue	\$ 27,199,908	\$ 10,092,807	\$ 37,292,715	\$ 21,113,885
Less: Costs of direct benefits to donors	-	-	-	(219,630)
	27,199,908	10,092,807	37,292,715	20,894,255
Total contributions and special event revenue, net				
Paycheck protection program grant	-	-	-	2,848,337
Contributions in-kind	270,326	-	270,326	407,316
Fees	984,901	-	984,901	1,476,164
Sales of books and materials	30,475	-	30,475	39,290
Spending rate transfer appropriated for operations	1,035,534	-	1,035,534	1,130,673
Investment return (loss) on investments without donor restrictions	1,437,185	-	1,437,185	(100,099)
Net assets released from restrictions - satisfaction of time and purpose restrictions	13,658,397	(13,658,397)	-	-
	44,616,726	(3,565,590)	41,051,136	26,695,936
Total support and revenue				
Expenses:				
Program services	19,425,717	-	19,425,717	21,933,351
General administration	2,012,790	-	2,012,790	1,987,820
Fundraising	3,699,446	-	3,699,446	4,542,934
	25,137,953	-	25,137,953	28,464,105
Total expenses				
Change in net assets from operations	19,478,773	(3,565,590)	15,913,183	(1,768,169)
Investment return (loss) on endowment	-	6,203,070	6,203,070	(386,418)
Spending rate transfer appropriated for operations	-	(1,035,534)	(1,035,534)	(1,130,673)
	19,478,773	1,601,946	21,080,719	(3,285,260)
Change in net assets				
Net assets - beginning of year	7,630,483	41,708,805	49,339,288	52,624,548
	\$ 27,109,256	\$ 43,310,751	\$ 70,420,007	\$ 49,339,288
Net assets - end of year				

FACING HISTORY AND OURSELVES, INC.

Statement of Activities

Year Ended June 30, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Contributions and special event revenue	\$ 13,484,639	\$ 7,629,246	\$ 21,113,885
Less: Costs of direct benefits to donors	(219,630)	-	(219,630)
Total contributions and special event revenue, net	13,265,009	7,629,246	20,894,255
Paycheck protection program grant	2,848,337	-	2,848,337
Contributions in-kind	407,316	-	407,316
Fees	1,476,164	-	1,476,164
Sales of books and materials	39,290	-	39,290
Spending rate transfer appropriated for operations	1,130,673	-	1,130,673
Investment return on investments without donor restrictions	(100,099)	-	(100,099)
Net assets released from restrictions - satisfaction of time and purpose restrictions	10,711,895	(10,711,895)	-
Total support and revenue	29,778,585	(3,082,649)	26,695,936
Expenses:			
Program services	21,933,351	-	21,933,351
General administration	1,987,820	-	1,987,820
Fundraising	4,542,934	-	4,542,934
Total expenses	28,464,105	-	28,464,105
Change in net assets from operations	1,314,480	(3,082,649)	(1,768,169)
Investment return on endowment	-	(386,418)	(386,418)
Spending rate transfer appropriated for operations	-	(1,130,673)	(1,130,673)
Change in net assets	1,314,480	(4,599,740)	(3,285,260)
Net assets - beginning of year	6,316,003	46,308,545	52,624,548
Net assets - end of year	\$ 7,630,483	\$ 41,708,805	\$ 49,339,288

See accompanying notes to the financial statements.

FACING HISTORY AND OURSELVES, INC.

Statement of Functional Expenses

Year Ended June 30, 2021
(with comparative totals for 2020)

	2021			2020	
	Program Services	General Administration	Fundraising	Total	Total
Salary and benefits	\$ 14,962,896	\$ 1,280,402	\$ 2,774,424	\$ 19,017,722	\$ 20,766,119
Management and technical consulting services	1,182,083	77,084	359,574	1,618,741	2,080,506
Program consultants and contractors	262,995	1,580	2,545	267,120	393,843
Professional services	188,207	393,885	111,248	693,340	575,124
Other services	485,703	23,043	41,415	550,161	1,122,085
Materials and supplies	780,867	114,907	124,872	1,020,646	859,217
Communications	141,851	12,119	26,520	180,490	169,956
Travel	407	5	17	429	454,167
Food for events, workshops and seminars	8,892	164	2,337	11,393	329,217
Printing and postage	53,969	2,255	19,039	75,263	360,312
Books and publications	103,621	21	4,898	108,540	125,773
Rent and utilities	634,545	54,298	117,656	806,499	900,598
Depreciation and amortization	619,681	53,027	114,901	787,609	327,188
Total	\$ 19,425,717	\$ 2,012,790	\$ 3,699,446	\$ 25,137,953	\$ 28,464,105

FACING HISTORY AND OURSELVES, INC.**Statement of Functional Expenses****Year Ended June 30, 2020**

	Program Services	General Administration	Fundraising	Total
Salary and benefits	\$ 15,871,701	\$ 1,542,359	\$ 3,352,059	\$ 20,766,119
Management and technical consulting services	1,515,299	132,767	432,440	2,080,506
Program consultants and contractors	393,843	-	-	393,843
Professional services	457,363	39,639	78,122	575,124
Other services	914,973	37,790	169,322	1,122,085
Materials and supplies	634,126	112,654	112,437	859,217
Communications	134,030	11,299	24,627	169,956
Travel	375,167	11,013	67,987	454,167
Food for events, workshops and seminars	284,622	3,412	41,183	329,217
Printing and postage	304,470	4,941	50,901	360,312
Books and publications	109,293	773	15,707	125,773
Rent and utilities	688,391	66,872	145,335	900,598
Depreciation and amortization	250,073	24,301	52,814	327,188
Total	\$ 21,933,351	\$ 1,987,820	\$ 4,542,934	\$ 28,464,105

FACING HISTORY AND OURSELVES, INC.

Statements of Cash Flows

Years Ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 21,080,719	\$ (3,285,260)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	787,609	327,188
Contributions restricted in perpetuity	(110,000)	(5,000,000)
Paycheck protection program loan forgiveness	-	(2,848,337)
Realized and unrealized (gain) loss on investments	(7,640,255)	486,517
Changes in:		
Accounts receivable	(109,709)	(108,716)
Prepaid expenses and other assets	6,940	438,544
Pledges receivable - net	4,152,048	9,719,032
Accounts payable and accrued expenses	1,376,522	(95,178)
Deferred revenue	13,400	(5,440)
Due to/from related parties	163,583	(44,788)
	19,720,857	(416,438)
Cash flows from investing activities:		
Purchase of investments	(15,110,000)	(5,320,000)
Proceeds from sale of investments	1,035,534	1,130,673
Purchases of office equipment and leasehold improvements	(166,929)	(152,636)
	(14,241,395)	(4,341,963)
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	-	2,848,337
Proceeds from contributions restricted for endowment	110,000	5,000,000
	110,000	7,848,337
Net increase in cash and cash equivalents	5,589,462	3,089,936
Cash and cash equivalents - beginning of year	5,980,399	2,890,463
Cash and cash equivalents - end of year	\$ 11,569,861	\$ 5,980,399

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, 2021 and 2020. 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

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 earned 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 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). Net Asset Value ("NAV") used to value Facing History's investments 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 (except 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 an 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 Receivable

Pledges are initially recorded at fair value as contribution revenue when verifiably committed by the donor. Unconditional pledges are recorded as receivables when committed by the donor at fair value using Level 2 fair value methods. Conditional pledges are recorded as receivables when barriers to entitlement are met. Fair value is determined in accordance with fair value policies discussed elsewhere in these notes. Pledges and grants expected to be collected in one year or more are discounted to present value using a risk adjusted rate to account for the inherent risk associated with future cash flows. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Collectability of pledges are analyzed by management on an instrument-by-instrument basis and due to the history of collections, no reserve was considered necessary at June 30, 2021 or 2020.

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.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Revenue can occur from earned revenue or contributed support.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

Revenue Recognition (Continued)

Under accounting standards for earned revenue, measurement is driven via a principles-based process that requires the entities: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Earned revenue includes the following:

Fees

The proceeds from workshops and seminars are reported in the statements of activities as fees and are recognized as revenue upon completion of the related workshop or seminar which is when Facing History's performance obligation has been met. Any proceeds that have been received in advance of completion are reported in the statements of financial position as deferred revenue.

Contributed support is as follows:

Contributions

Contributions are reported as revenue when unconditionally committed by the donor and are accounted for as with donor restrictions if such gift or pledge has time, purpose or endowment type restrictions associated with it. Expiration of donor-imposed restrictions are reported as net assets released from restrictions as restrictions are met. All other contributions are reported as without donor restrictions.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

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 benefits 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.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

Revenue Recognition (Continued)

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.

If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Facing History has identified its tax status as a tax-exempt entity, and its determinations of which income is related and unrelated, as its only significant tax positions; however, Facing History has determined that such tax positions do not result in any uncertainties requiring recognition. Facing History is not currently under examination by any taxing jurisdiction. Facing History’s federal and state returns are generally open for examination for three years following the date filed.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

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

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 office equipment and leasehold improvements and operation and maintenance of office equipment and leasehold improvement related expenses have been allocated to functional classifications based on square footage of facilities.

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.

Pending Accounting Standards

Management expects to adopt Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, in a future period. The standard requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective in fiscal year 2023 for Facing History. Facing History is evaluating the impact of the new guidance on the financial statements.

Subsequent Events

Facing History has evaluated subsequent events through October 29, 2021, 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.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 2 - Liquidity and Availability (Continued)

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.

The following table shows the amounts of the financial assets available within one year of the balance sheet dates to meet general expenditures:

	2021	2020
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 11,569,861	\$ 5,980,399
Accounts receivable - net	356,807	247,098
Due from related parties	742	82,617
Contributions and grants for general expenditures due in one year or less	5,598,589	5,754,009
Endowment spending rate distribution and appropriation	1,133,521	1,000,000
Investments not encumbered by donor or board restrictions	<u>21,465,310</u>	<u>5,028,125</u>
Total financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 40,124,830</u></u>	<u><u>\$ 18,092,248</u></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:

	2021		
	<i>Total</i>	<i>Net Asset Value</i>	<i>Level 1</i>
Cash equivalent	\$ 6,472,434	\$ -	\$ 6,472,434
Large Cap	4,359,188	4,359,188	-
International Small Cap	4,300,860	4,300,860	-
Multistrategy investment fund	35,950,118	35,950,118	-
Total Investments	\$ 51,082,600	\$ 44,610,166	\$ 6,472,434
	2020		
	<i>Total</i>	<i>Net Asset Value</i>	<i>Level 1</i>
Cash equivalent	\$ -	\$ -	\$ -
Large Cap	-	-	-
International Small Cap	-	-	-
Multistrategy investment fund	29,367,879	28,367,879	-
Total Investments	\$ 29,367,879	\$ 28,367,879	\$ -

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 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.

During 2021, Facing History diversified their investment portfolio with several additional investments, which was funded by a one-time donation. The horizon for these investments is within five years.

Management has no intentions or plans to liquidate its investment at other than NAV per share.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 3 - Investments and Fair Value Matters (Continued)

Facing History's investments can be redeemed as follows at June 30, 2021:

<i>Redemption Frequency</i>	<i>Fair Value</i>
Daily	\$ 15,132,482
Monthly	35,950,118
Quarterly	-
Annual	-
Illiquid	-
	<hr/>
Total investments	<u><u>\$ 51,082,600</u></u>

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

	<i>2021</i>	<i>2020</i>
Investments, beginning of year	<u>\$ 29,367,879</u>	<u>\$ 25,665,069</u>
Additions to the investment fund from new gifts and cash flow	15,110,000	5,320,000
Spending rate transfer appropriated for operations	(1,035,534)	(1,130,673)
Net investment return (loss)	<u>7,640,255</u>	<u>(486,517)</u>
Investments, end of year	<u><u>\$ 51,082,600</u></u>	<u><u>\$ 29,367,879</u></u>

Investment return is presented as follows:

	<i>2021</i>	<i>2020</i>
Investment return (loss) on investments with donor restrictions	\$ 6,203,070	\$ (386,418)
Investment return (loss) on investments without donor restrictions	<u>1,437,185</u>	<u>(100,099)</u>
Total investment return (loss)	<u><u>\$ 7,640,255</u></u>	<u><u>\$ (486,517)</u></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:

	2021	2020
Due in less than one year	\$ 5,444,672	\$ 5,754,009
Due in one to five years	<u>4,627,136</u>	<u>8,439,847</u>
	10,071,808	14,193,856
Present value adjustment	<u>(347,249)</u>	<u>(317,249)</u>
Pledges receivable - net	<u>\$ 9,724,559</u>	<u>\$ 13,876,607</u>

At June 30, 2021, two donors accounted for 35% of gross pledges receivable, and at June 30, 2020, four donors accounted for 45% of gross pledges receivable. For the year ended June 30, 2021, two donors accounted for 75% of revenue, and for the year ended June 30, 2020, two donors accounted for 73% of revenue.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 5 - Office Equipment and Leasehold Improvements

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

	2021	2020
Office equipment	\$ 1,518,855	\$ 1,518,855
Leasehold improvements	2,731,223	2,731,223
Construction in progress	<u>166,929</u>	<u>-</u>
	4,417,007	4,250,078
Accumulated depreciation and amortization	<u>(4,207,752)</u>	<u>(3,420,143)</u>
Office equipment and leasehold improvements - net	<u>\$ 209,255</u>	<u>\$ 829,935</u>

Note 6 - Retirement Plan

Facing History has a qualified 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 \$703,000 and \$705,000 in 2021 and 2020, respectively.

Note 7 - Commitments and Contingencies

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. During the Coronavirus (COVID-19) pandemic, Facing History moved all staff to work-from-home and did not renew four of its office leases, utilizing WeWork shared space instead. Facing History is exploring a hybrid work model.

Rent expense, including operating costs passed through under these leases, aggregated approximately \$642,000 and \$828,000 for the years ended June 30, 2021 and 2020, respectively.

FACING HISTORY AND OURSELVES, INC.

Notes to Financial Statements

Note 7 - Commitments and Contingencies (Continued)

Lease Commitments (Continued)

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

2022	\$ 326,853
2023	272,984
2024	279,126
2025	285,407
2026	291,828
Thereafter	<u>273,016</u>
Total	<u>\$ 1,729,214</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 2.00% which was equal to 2.24% and 2.16% at June 30, 2021 and 2020, respectively. There were no borrowings outstanding on the line as of June 30, 2021 or 2020.

Note 9 - Paycheck Protection Program Loan

Facing History applied for and received funding for a forgivable Paycheck Protection Loan in the amount of \$2,848,337 on April 15, 2020 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). Under the terms of the loan, the balance is forgivable to the extent qualified costs are incurred. Facing History adopted the grant accounting model relative to recognition of grant revenues from this program which allows revenue to be recorded to the extent the qualifying costs are incurred which was the case during fiscal 2020. As such, the full amount was reported as grant revenue for the year ended June 30, 2020. This loan was formally forgiven on July 20, 2021.

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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment corpus	\$ -	\$ 22,907,132	\$ 22,907,132
Accumulated unspent gains on endowment	-	6,610,158	6,610,158
Funds functioning as endowment	100,000	-	100,000
Total endowment and funds functioning as endowment	100,000	29,517,290	29,617,290
Pledges receivable	-	9,724,559	9,724,559
Net investment in office equipment and leasehold improvements	209,255	-	209,255
Other funds	26,800,001	4,068,902	30,868,903
Total	\$ 27,109,256	\$ 43,310,751	\$ 70,420,007
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment corpus	\$ -	\$ 22,797,132	\$ 22,797,132
Accumulated unspent gains on endowment	-	1,442,622	1,442,622
Funds functioning as endowment	100,000	-	100,000
Total endowment and funds functioning as endowment	100,000	24,239,754	24,339,754
Pledges receivable	-	13,876,607	13,876,607
Net investment in office equipment and leasehold improvements	829,937	-	829,937
Other funds	6,700,546	3,592,444	10,292,990
Total	\$ 7,630,483	\$ 41,708,805	\$ 49,339,288

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:

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 24,239,754	\$ 24,339,754
Cash transferred to investment managers associated with gifts and collections	-	110,000	110,000
Investment return	-	6,203,070	6,203,070
Expenditures:			
Funds transferred to without donor restrictions as allocated under spending policy	-	(1,035,534)	(1,035,534)
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 100,000</u>	<u>\$ 29,517,290</u>	<u>\$ 29,617,290</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ 100,000	\$ 20,486,845	\$ 20,586,845
Cash transferred to investment managers associated with gifts and collections	-	5,270,000	5,270,000
Investment loss	-	(386,418)	(386,418)
Expenditures:			
Funds transferred to without donor restrictions as allocated under spending policy	-	(1,130,673)	(1,130,673)
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 100,000</u>	<u>\$ 24,239,754</u>	<u>\$ 24,339,754</u>

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 tracks 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. Accumulated unspent gains are tracked separately. Amounts are appropriated for expenditure from the overall balances in each fund using its spending policy in a manner consistent with the standard of prudence prescribed under the Uniform Prudent Management of Institutional Funds 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 \$1,133,521 for the fiscal year ending June 30, 2022.

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, 2021 and 2020.

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 CIO ("CIO") 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		CIO	
	2021	2020	2021	2020
Due to (from) related parties	<u>\$ 1,479</u>	<u>\$ (82,342)</u>	<u>\$ 84,784</u>	<u>\$ 5,020</u>