

THE THOMAS B. FORDHAM FOUNDATION, INC.  
AND THE THOMAS B. FORDHAM INSTITUTE, INC.

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Consolidated Financial Statements  
For the Years Ended December 31, 2016  
and December 31, 2015

and  
Report Thereon

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**LANE & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of  
The Thomas B. Fordham Foundation, Inc. and  
The Thomas B. Fordham Institute, Inc.

We have audited the accompanying consolidated financial statements of The Thomas B. Fordham Foundation, Inc. (the Foundation), an Ohio nonprofit supporting organization, and The Thomas B. Fordham Institute, Inc. (the Institute), an Ohio publicly supported nonprofit corporation (together, the Organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

*Emphasis of Matter*

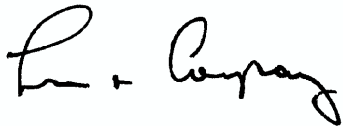
As explained in Note 3, the consolidated financial statements include investments valued at \$23,131,097 and \$19,117,954 at December 31, 2016 and 2015, respectively (forty-four and thirty-seven percent of net assets, respectively), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been used had a ready market value for such investment existed, and the differences could be material.

## *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, 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.

## *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of functional expenses, as well as the schedules of financial position, activities, and functional expenses of the Foundation (excluding the Institute) and of the Institute (excluding the Foundation) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "L. + Company". The signature is written in a cursive, flowing style.

Washington, D.C.  
July 25, 2017

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 2,317,848	\$ 3,651,103
Short-term investments	590,314	627,646
Grants receivable	441,826	850,000
Accounts receivable	83,409	117,565
Other assets	15,836	15,341
Total Current Assets	3,449,233	5,261,655
Grants receivable	--	300,000
Long-term investments	53,177,935	49,569,866
Building and improvements, net of accumulated depreciation of \$1,530,790 and \$1,344,401	4,778,197	4,964,586
Bond issuance costs, net of accumulated amortization of \$99,716 and \$88,861	224,562	235,417
Furniture and equipment, net of accumulated depreciation of \$224,807 and \$198,314	75,692	102,185
Total Assets	\$ 61,705,619	\$ 60,433,709
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 275,854	\$ 80,537
Total Current Liabilities	275,854	80,537
Obligation due to interest rate swap	2,443,130	2,598,716
Bonds payable	6,300,000	6,300,000
Total Liabilities	9,018,984	8,979,253
Net Assets - Unrestricted	50,945,862	49,215,968
Net Assets - Temporarily Restricted	1,740,773	2,238,488
Total Net Assets	52,686,635	51,454,456
Total Liabilities and Net Assets	\$ 61,705,619	\$ 60,433,709

**The accompanying notes are an integral  
part of these financial statements.**

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets		
Revenue		
Investment income/(losses)	\$ 4,382,619	\$ (2,031,171)
Grants and contributions	378,000	2,076,500
Program service fees	549,145	528,430
Other income	487	7,526
Total unrestricted revenue	<u>5,310,251</u>	<u>581,285</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,919,363</u>	<u>2,777,258</u>
Total unrestricted support	8,229,614	3,358,543
Expenses		
Program Services		
National	3,547,648	3,414,466
Ohio	2,125,860	1,705,312
Management and general	722,067	922,745
Fund-raising	<u>259,731</u>	<u>169,544</u>
Total Expenses	<u>6,655,306</u>	<u>6,212,067</u>
Change in unrestricted net assets before gain/(loss) on interest rate swap	1,574,308	(2,853,524)
Gain/(loss) on interest rate swap	<u>155,586</u>	<u>(95,040)</u>
Total change in unrestricted net assets	<u>1,729,894</u>	<u>(2,948,564)</u>
Change in temporarily restricted net assets		
Grants and contributions	2,421,648	2,490,820
Net assets released from restriction	<u>(2,919,363)</u>	<u>(2,777,258)</u>
Change in temporarily restricted net assets	<u>(497,715)</u>	<u>(286,438)</u>
Change in net assets	1,232,179	(3,235,002)
Net assets, beginning of year	<u>51,454,456</u>	<u>54,689,458</u>
Net assets, end of year	<u>\$ 52,686,635</u>	<u>\$ 51,454,456</u>

**The accompanying notes are an integral  
part of these financial statements.**

**THE THOMAS B. FORDHAM FOUNDATION INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,232,179	\$ (3,235,002)
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	223,737	222,441
Realized and unrealized (gains)/losses on investments	(3,581,824)	3,361,975
(Gain)/loss on interest rate swap	(155,586)	95,040
Changes in assets and liabilities		
Accounts receivable	34,156	(38,986)
Grants receivable	708,174	(815,000)
Other assets	(495)	(545)
Accounts payable	<u>195,317</u>	<u>(69,266)</u>
Net Cash Used in Operating Activities	(1,344,342)	(479,343)
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	--	(75,599)
Purchase of investments	(10,111,142)	(6,073,488)
Sale of investments	<u>10,122,229</u>	<u>6,147,559</u>
Net Cash Provided by/(Used in) Investing Activities	<u>11,087</u>	<u>(1,528)</u>
Net change in Cash and Cash Equivalents	(1,333,255)	(480,871)
Cash and Cash Equivalents, beginning of year	<u>3,651,103</u>	<u>4,131,974</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,317,848</u>	<u>\$ 3,651,103</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 278,748</u>	<u>\$ 278,657</u>

**The accompanying notes are an integral  
part of these financial statements.**

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

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1. Organization

The Thomas B. Fordham Foundation, Inc. (the Foundation), was incorporated in 1959 as an Ohio private foundation. As of January 1, 2007, the Foundation operates as a public charity and is exempt from Federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code (see note 13 for further explanation).

The Fordham Institute, Inc. (the Institute), was incorporated in 2001 as an Ohio publicly supported not-for-profit corporation and is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

The Thomas B. Fordham Foundation and Institute believe that all children deserve a high quality K-12 education at the school of their choice. Nationally and in our home state of Ohio, we strive to close America's vexing achievement gaps by raising standards, strengthening accountability, and expanding education options for parents and families.

Our work is grounded in these convictions:

- all parents should have the opportunity to select among a variety of high-quality schools for their children;
- the path to increased student learning is to set ambitious standards, employ rigorous assessments, and hold students, teachers and schools accountable for performance;
- every school should deliver a content-rich curriculum taught by knowledgeable teachers; and
- schools exist to meet the educational needs of children, not the interests of institutions or adults.

We advance the reform of American education by:

- engaging in solid research and provocative analysis;
- disseminating information and ideas that shape the debate;
- supporting quality schools and organizations in Dayton, Ohio, and across the nation;
- sponsoring charter schools in Ohio and building their academic excellence; and
- informing policy makers at every level about promising solutions to pressing education problems.

**Continued**

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.**  
**Notes to Financial Statements**

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2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements include the accounts of the Foundation and the Institute (together, the Organization). All significant inter-company transactions have been eliminated in the consolidation. The Organization maintains its accounts on the accrual basis of accounting.

Basis of Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Unrestricted net assets result from revenues and other inflows of assets whose use by the Organization is not limited by donor-imposed restrictions.

*Temporarily restricted net assets* - Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and short-term investments with original maturities of less than three months at the date of purchase. Accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. Account balances may at times exceed the insured limit. Management believes these amounts are not subject to any significant credit risk.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis on the consolidated statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

3. Investments

Securities with readily determinable fair value are recorded at fair value in the consolidated statement of financial position. Investments without readily determinable values, such as private equity, venture capital, and partnerships, are valued using current estimates of fair value obtained from the investment manager. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earning multiples, cash flow analysis, recent sales prices of investments, and other pertinent information.

Because of the inherent uncertainty of valuation for these investments (referred to as "Other investments" in the schedule below) the investment manager's estimate may differ from the values that would have been used had a ready market existed.

<u>2016</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 22,081,725	\$ 5,213,695	\$ 27,295,420
Fixed income securities	1,478,242	1,273,176	2,751,418
Other investments	22,582,414	548,683	23,131,097
Money market accounts	565,389	24,925	590,314
Total	<u>\$ 46,707,770</u>	<u>\$ 7,060,479</u>	<u>\$ 53,768,249</u>

<u>2015</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 22,885,024	\$ 5,187,446	\$ 28,072,470
Fixed income securities	1,238,902	1,140,540	2,379,442
Other investments	19,046,588	71,366	19,117,954
Money market accounts	584,196	43,450	627,646
Total	<u>\$ 43,754,710</u>	<u>\$ 6,442,802</u>	<u>\$ 50,197,512</u>

Investment income consisted of the following:

<u>2016</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 594,294	\$ 206,501	\$ 800,795
Net realized and unrealized gain	<u>3,162,544</u>	<u>419,280</u>	<u>3,581,824</u>
Total	<u>\$ 3,756,838</u>	<u>\$ 625,781</u>	<u>\$ 4,382,619</u>

<u>2015</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 1,018,493	\$ 312,311	\$ 1,330,804
Net realized and unrealized loss	<u>(2,608,727)</u>	<u>(753,248)</u>	<u>(3,361,975)</u>
Total	<u>\$ (1,590,234)</u>	<u>\$ (440,937)</u>	<u>\$ (2,031,171)</u>

Continued

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

4. Fair Value Measurement

Financial Accounting Standards Board Accounting Standards Codification 820, Fair Value Measurements, requires disclosure of a fair-value hierarchy of inputs the Organization uses to value an asset or liability. The three levels of the fair-value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace;

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value, consist of the following at December 31:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 27,295,420	\$ --	\$ --	\$ 27,295,420
Fixed income securities	2,751,418	--	--	2,751,418
Other investments	--	--	23,131,097	23,131,097
Money market accounts	590,314	--	--	590,314
Total	<u>\$ 30,637,152</u>	<u>\$ --</u>	<u>\$ 23,131,097</u>	<u>\$ 53,768,249</u>

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 28,072,470	\$ --	\$ --	\$ 28,072,470
Fixed income securities	2,379,442	--	--	2,379,442
Other investments	--	--	19,117,954	19,117,954
Money market accounts	627,646	--	--	627,646
Total	<u>\$ 31,079,558</u>	<u>\$ --</u>	<u>\$ 19,117,954</u>	<u>\$ 50,197,512</u>

The change in value of investments measured at fair value using significant unobservable inputs (Level 3 inputs) consisted of the following:

Value as of December 31, 2015	\$ 19,117,954
Appreciation in value	1,710,027
Purchases and sales, net	<u>2,303,116</u>
Value as of December 31, 2016	<u>\$ 23,131,097</u>

The appreciation in value of Level 3 investments is included in investment income on the consolidated statement of activities.

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**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

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5. Grants Receivable

At December 31, 2016 and 2015, Grants receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Due in one year or less:		
Hewlett Foundation	\$ 75,000	\$ --
Louis Calder Foundation	200,000	200,000
Kovner Foundation	100,000	100,000
Mathile Family Foundation	20,000	--
Kern Foundation	46,826	--
Gates Foundation	<u>--</u>	<u>550,000</u>
Due in two to four years:		
Louis Calder Foundation	--	200,000
Kovner Foundation	<u>--</u>	<u>100,000</u>
 Total	 <u>\$ 441,826</u>	 <u>\$ 1,150,000</u>

6. Property and Equipment

Building and Improvements

The Foundation owns two floors of an office building in Washington, DC used primarily as office space for the Foundation and the Institute. They also own an alleyway next to the building for parking.

Improvements are recorded at cost and are amortized using the straight-line method over the estimated life of the improvement.

At December 31, 2016 and 2015, building and improvements consisted of the following:

	<u>2016</u>	<u>2015</u>
Building	\$ 3,453,481	\$ 3,453,481
Land	1,672,500	1,672,500
Capital Improvements	<u>1,183,006</u>	<u>1,183,006</u>
 Total, building and improvements	 6,308,987	 6,308,987
 Less: Accumulated amortization and depreciation	 <u>(1,530,790)</u>	 <u>(1,344,401)</u>
 Net, building and improvements	 <u>\$ 4,778,197</u>	 <u>\$ 4,964,586</u>

Total amortization and depreciation expense was \$186,389 and \$184,940 in 2016 and 2015, respectively.

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

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6. Property and Equipment (continued)

Furniture and Equipment

Furniture and equipment are recorded at cost when purchased and are depreciated using the straight-line method over the estimated useful life of the asset. Upon disposal, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reflected in the statement of activities.

At December 31, 2016 and 2015, furniture and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$ 300,499	\$ 300,499
Less: Accumulated Depreciation	<u>(224,807)</u>	<u>(198,314)</u>
Total, Furniture and Equipment	<u>\$ 75,692</u>	<u>\$ 102,185</u>

Total depreciation expense was \$26,493 and \$26,646 in 2016 and 2015, respectively.

7. Bonds Payable and Bond Issuance Costs

The Foundation participated in the District of Columbia's tax-exempt bond program to help with the financing of its building purchase. The amount financed through a letter of credit with a financial institution was \$6,300,000, which expires on September 15, 2017. The Foundation is currently exploring refinancing options for the letter of credit. The bonds have a thirty year term and carry a variable interest rate. Costs associated with obtaining this financing have been classified as bond issuance costs on the consolidated statement of financial position and are being amortized over thirty years.

In a separate agreement with SunTrust Bank dated September 1, 2007, the Foundation arranged to fix its monthly interest payments with an "interest rate swap" at a base rate of 3.89% per annum. This agreement resulted in a gain of \$155,586 in 2016 and a loss of \$95,040 in 2015, respectively. At December 31, 2016 and 2015, the liability associated with the swap agreement was valued at \$2,443,130 and \$2,598,716, respectively. The value of this interest rate swap is based on an estimate from SunTrust and is treated as a derivative instrument in accordance with Accounting Standards Codification 815. The liability reported by SunTrust does not necessarily reflect Fordham's true cost should it wish to terminate the swap agreement.

The Foundation's interest expense for 2016 and 2015 was \$278,748 and \$278,657, respectively.

There are a number of financial and operating covenants associated with the bonds and with the Bank's participation in the project, including a requirement for maintaining \$30,000,000 in unrestricted net assets. The Foundation was in compliance with all material terms and conditions of the debt instruments as of December 31, 2016.

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to Financial Statements**

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8. Commitments

The organization leases office space in Dayton and Columbus, Ohio, expiring in 2019 and 2021 respectively. The organization has operating leases for office equipment expiring in 2017 and 2018.

The future minimum lease payments under these leases are as follows:

	74,100
2017	68,666
2018	55,703
2019	33,869
2020	<u>8,467</u>
2021	
 Total	 <u>\$ 240,805</u>

Occupancy expense consisted primarily of mortgage interest, small purchases of equipment, condominium association fees, real estate taxes, and rent expense on the organization's previous office location. Total occupancy expense was \$573,162 and \$548,322 in 2016 and 2015, respectively.

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2016, total capital commitments are as follows:

Institute	\$ 3,125
Foundation	<u>10,025,799</u>
 Total	 <u>\$ 10,028,924</u>

9. Pension Plan

The Organization has a defined contribution retirement savings plan, which covers all employees who have at least six months of service. Effective November 15, 2011, all new employees will be subject to a revised vesting schedule with contributions fully vesting after three years of service. The Organization contributes, on behalf of each eligible employee, an amount equal to 12% of that employee's salary. In 2016 and 2015, contributions to the retirement plan were \$283,124 and \$227,246, respectively.

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
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Notes to Financial Statements**

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10. Temporarily Restricted Net Assets

At December 31, temporarily restricted net assets were available for the following purposes:

	<u>2016</u>		<u>2015</u>
Common Core Commentary	\$ 74,300	\$	120,973
Defending the Common Core	--		174,268
EdChoice Voucher Study	36,028		117,725
International Frameworks	40,771		40,771
Career and Tech Education	--		52,095
Core Knowledge Event	3,577		3,577
Charter Locations Study	44,579		--
Common Core Set	297,800		150,429
Ohio Public Conferences	2,294		12,189
Red Tape, Fear or Fallacy	28,743		28,743
Common Core Assessments	21,125		--
What Teens Want	26,358		--
Charter Schools at 25	--		21,251
Catholic Schools and Noncognitive Skills	99,868		94,736
Dayton Area School Reform	20,000		--
State Pensions	15,712		40,671
ESSA Commentary	99,295		--
ESSA High Achievers	19,221		--
Leveraging ESSA	63,365		--
Fellows	--		46,441
Gifted Education Policies	11,694		124,833
Discipline Policy – NYC	49,291		--
EEPS	--		12,500
College Predictor	37,771		--
Ohio Speakers	566		566
Ohio Standards Coalition	71,373		111,740
Ohio Charter Coalition	26,135		--
Communities of Practice	4,244		--
Parent Segmenting	16,623		16,623
Success Academy Book	50,000		--
Knowledge Matters Campaign	181,249		282,300
Ohio School Closures	8,960		8,960
Choice Support	384,831		561,298
Common Core Math Instruction	--		113,326
Florida Pensions	--		50,490
Teacher Labor Agreements	--		46,983
Ohio Charter School Implementation	<u>5,000</u>		<u>5,000</u>
Total	<u>\$ 1,740,773</u>	<u>\$</u>	<u>2,238,488</u>

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.**  
**Notes to Financial Statements**

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11. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$48,409 and \$41,022 in fees to this firm in 2016 and 2015, respectively.

12. Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Foundation and the Institute are exempt from federal income taxes other than on unrelated business income. At December 31, 2016 and 2015, no provision for income taxes was made as the Organization had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

13. Subsequent Events

In preparing these financial statements, the Thomas B. Fordham Foundation and Institute have evaluated events and transactions for potential recognition or disclosure through July 25, 2017, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

## SUPPLEMENTAL INFORMATION



THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2016  
(with comparative totals for 2015)

	Program			Management & General	Fund- raising	Total Expenses	2015 Total
	National	Ohio	Total				
Grants	\$ 50,945	\$ 140,000	\$ 190,945	\$ --	\$ --	\$ 190,945	\$ 261,200
Salaries	1,637,020	837,603	2,474,623	90,549	160,869	2,726,041	2,331,309
Pension plan contributions	166,408	88,976	255,384	10,297	17,443	283,124	227,247
Other employee benefits	144,808	83,669	228,477	8,363	13,186	250,026	196,395
Payroll taxes	99,172	57,254	156,426	14,615	10,640	181,681	155,719
Contracts	655,365	511,862	1,167,227	1,026	125	1,168,378	1,314,048
Brokerage fees	--	--	--	383,116	--	383,116	127,490
Printing and publications	5,433	10,265	15,698	1,440	12,031	29,169	33,834
Occupancy	376,013	132,585	508,598	31,849	32,715	573,162	548,322
Travel	104,251	47,492	151,743	30,689	4,357	186,789	307,112
Legal fees	--	37,438	37,438	24,809	--	62,247	41,023
Website and IT	32,025	40,075	72,100	8,416	--	80,516	73,165
Postage and shipping	1,330	729	2,059	2,962	--	5,021	3,581
Temps/Interns	8,241	4,204	12,445	2,189	--	14,634	19,766
Miscellaneous	10,902	8,104	19,006	9,571	794	29,371	45,630
Insurance	43,687	18,826	62,513	6,120	2,874	71,507	67,337
Accounting fees	--	--	--	36,163	--	36,163	36,709
Other professional fees	--	690	690	6,468	--	7,158	36,713
Conferences, conventions, meetings	30,503	3,264	33,767	11,212	1,730	46,709	47,052
Telephone	24,092	7,738	31,830	1,506	2,301	35,637	27,523
Supplies	17,447	9,297	26,744	6,128	40	32,912	43,940
Equipment rental and maintenance	25,638	11,060	36,698	565	--	37,263	44,511
Depreciation and amortization	114,368	74,729	189,097	34,014	626	223,737	222,441
<b>Total</b>	<b>\$ 3,547,648</b>	<b>\$ 2,125,860</b>	<b>\$ 5,673,508</b>	<b>\$ 722,067</b>	<b>\$ 259,731</b>	<b>\$ 6,655,306</b>	
<b>2015 Total</b>	<b>\$ 3,414,466</b>	<b>\$ 1,705,312</b>	<b>\$ 5,119,778</b>	<b>\$ 922,745</b>	<b>\$ 169,544</b>		<b>\$ 6,212,067</b>

See accompanying independent auditor's report.

**THE THOMAS B. FORDHAM FOUNDATION, INC.**  
**SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**  
**(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)**

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 83,052	\$ 367,406
Short-term investments	565,389	584,196
Accounts receivable from Fordham Institute	210,522	295,895
Other accounts receivable	83,409	117,565
Other assets	<u>12,918</u>	<u>12,918</u>
Total Current Assets	955,290	1,377,980
Long-term investments	46,142,381	43,170,514
Building and improvements, net of accumulated depreciation of \$1,530,790 and \$1,344,401	4,778,197	4,964,586
Bond issuance costs, net of accumulated amortization of \$99,716 and \$88,861	224,562	235,417
Furniture and equipment, net of accumulated depreciation of \$203,326 and \$184,645	<u>19,061</u>	<u>37,742</u>
Total Assets	<u>\$ 52,119,491</u>	<u>\$ 49,786,239</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	<u>\$ 176,482</u>	<u>\$ 49,528</u>
Total Current Liabilities	176,482	49,528
Obligation due to interest rate swap	2,443,130	2,598,716
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
Total Liabilities	8,919,612	8,948,244
Net Assets - Unrestricted	<u>43,199,879</u>	<u>40,837,995</u>
Total Net Assets	<u>43,199,879</u>	<u>40,837,995</u>
Total Liabilities and Net Assets	<u>\$ 52,119,491</u>	<u>\$ 49,786,239</u>

See accompanying independent auditor's report.

**THE THOMAS B. FORDHAM FOUNDATION, INC.**  
**SCHEDULE OF ACTIVITIES**  
**For the Years Ended December 31, 2016 and 2015**  
**(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)**

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets		
Revenue		
Investment income/(losses)	\$ 3,756,838	\$ (1,590,234)
Program service fees	549,145	528,430
Other income	27	7,006
Total unrestricted revenue	<u>4,306,010</u>	<u>(1,054,798)</u>
Expenses		
Program Services		
National	485,131	314,306
Ohio	996,412	909,053
Management and general	<u>618,169</u>	<u>736,825</u>
Total Expenses	<u>2,099,712</u>	<u>1,960,184</u>
Change in unrestricted net assets before gain/(loss) on interest rate swap	2,206,298	(3,014,982)
Gain/(loss) on interest rate swap	<u>155,586</u>	<u>(95,040)</u>
Total change in unrestricted net assets	2,361,884	(3,110,022)
Net assets, beginning of year	<u>40,837,995</u>	<u>43,948,017</u>
Net assets, end of year	<u>\$ 43,199,879</u>	<u>\$ 40,837,995</u>

See accompanying independent auditor's report.

**THE THOMAS B. FORDHAM FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**  
**(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)**  
**With Comparative Totals for 2015**

	Program			Management & General	Total Expenses	2015 Total
	National	Ohio	Total			
Grants	\$ 19,295	\$ 140,000	\$ 159,295	\$ --	\$ 159,295	\$ 256,200
Salaries	196,825	461,001	657,826	61,349	719,175	617,419
Pension plan contributions	19,857	46,508	66,365	6,189	72,554	37,849
Other employee benefits	14,675	34,371	49,046	4,574	53,620	76,947
Payroll taxes	13,814	32,356	46,170	4,306	50,476	39,766
Contracts	--	60,843	60,843	277	61,120	25,008
Brokerage fees	--	--	--	375,013	375,013	124,708
Printing and publications	--	2,960	2,960	389	3,349	10,309
Occupancy	83,130	55,998	139,128	25,911	165,039	267,125
Travel	--	19,491	19,491	15,517	35,008	63,885
Legal fees	--	23,600	23,600	24,809	48,409	28,926
Website and IT	--	14,118	14,118	2,272	16,390	25,585
Postage and shipping	1,082	729	1,811	337	2,148	1,730
Temps/Interns	6,241	4,204	10,445	1,945	12,390	17,693
Miscellaneous	--	1,815	1,815	6,239	8,054	21,718
Insurance	17,961	12,099	30,060	5,598	35,658	43,740
Accounting fees	--	--	--	36,163	36,163	36,575
Other professional fees	--	320	320	2,123	2,443	4,437
Conferences, conventions, meetings	--	412	412	3,889	4,301	7,082
Telephone	3,489	2,350	5,839	1,088	6,927	10,627
Supplies	--	4,384	4,384	6,128	10,512	19,715
Equipment rental and maintenance	--	5,590	5,590	153	5,743	8,510
Depreciation and amortization	108,762	73,263	182,025	33,900	215,925	214,630
<b>Total</b>	<b>\$ 485,131</b>	<b>\$ 996,412</b>	<b>\$ 1,481,543</b>	<b>\$ 618,169</b>	<b>\$ 2,099,712</b>	
<b>2015 Total</b>	<b>\$ 314,306</b>	<b>\$ 909,053</b>	<b>\$ 1,223,359</b>	<b>\$ 736,825</b>		<b>\$ 1,960,184</b>

See accompanying independent auditor's report.

**THE THOMAS B. FORDHAM INSTITUTE, INC.**  
**SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**  
**(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)**

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 2,234,796	\$ 3,283,697
Short-term investments	24,925	43,450
Grants receivable	441,826	850,000
Other assets	<u>2,918</u>	<u>2,423</u>
Total Current Assets	2,704,465	4,179,570
Grants receivable	--	300,000
Long-term investments	7,035,554	6,399,352
Furniture and equipment, net of accumulated depreciation of \$21,481 and \$13,669	<u>56,631</u>	<u>64,443</u>
Total Assets	<u>\$ 9,796,650</u>	<u>\$ 10,943,365</u>
<u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities		
Accounts payable to Fordham Foundation	\$ 210,522	\$ 295,895
Other accounts payable	<u>99,372</u>	<u>31,009</u>
Total Liabilities	309,894	326,904
Net Assets		
Net Assets - Unrestricted	7,745,983	8,377,973
Net Assets - Temporarily Restricted	<u>1,740,773</u>	<u>2,238,488</u>
Total Net Assets	<u>9,486,756</u>	<u>10,616,461</u>
Total Liabilities and Net Assets	<u>\$ 9,796,650</u>	<u>\$ 10,943,365</u>

See accompanying independent auditor's report.

**THE THOMAS B. FORDHAM INSTITUTE, INC.**  
**SCHEDULE OF ACTIVITIES**  
**For the Years Ended December 31, 2016 and 2015**  
**(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)**

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets		
Revenue		
Investment income/(losses)	\$ 625,781	\$ (440,937)
Grants and contributions	378,000	2,076,500
Other income	460	520
Total unrestricted revenue	<u>1,004,241</u>	<u>1,636,083</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,919,363</u>	<u>2,777,258</u>
Total unrestricted support	3,923,604	4,413,341
Expenses		
Program Services		
National	3,062,517	3,100,160
Ohio	1,129,448	796,259
Management and general	103,898	185,920
Fund-raising	<u>259,731</u>	<u>169,544</u>
Total Expenses	<u>4,555,594</u>	<u>4,251,883</u>
Change in unrestricted net assets	(631,990)	161,458
Change in temporarily restricted net assets		
Grants and contributions	2,421,648	2,490,820
Net assets released from restriction	<u>(2,919,363)</u>	<u>(2,777,258)</u>
Change in temporarily restricted net assets	<u>(497,715)</u>	<u>(286,438)</u>
Change in net assets	(1,129,705)	(124,980)
Net assets, beginning of year	<u>10,616,461</u>	<u>10,741,441</u>
Net assets, end of year	<u>\$ 9,486,756</u>	<u>\$ 10,616,461</u>

**See accompanying independent auditor's report.**

**THE THOMAS B. FORDHAM INSTITUTE, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2016  
**(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)**  
With Comparative Totals for 2015

	Program			Management & General	Fund- raising	Total Expenses	2015 Total
	National	Ohio	Total				
Grants	\$ 31,650	\$ --	\$ 31,650	\$ --	\$ --	\$ 31,650	\$ 5,000
Salaries	1,440,195	376,602	1,816,797	29,200	160,869	2,006,866	1,713,890
Pension plan contributions	146,551	42,468	189,019	4,108	17,443	210,570	189,398
Other employee benefits	130,133	49,298	179,431	3,789	13,186	196,406	119,448
Payroll taxes	85,358	24,898	110,256	10,309	10,640	131,205	115,953
Contracts	655,365	451,019	1,106,384	749	125	1,107,258	1,289,040
Brokerage fees	--	--	--	8,103	--	8,103	2,782
Printing and publications	5,433	7,305	12,738	1,051	12,031	25,820	23,525
Occupancy	292,883	76,587	369,470	5,938	32,715	408,123	281,197
Travel	104,251	28,001	132,252	15,172	4,357	151,781	243,227
Legal fees	--	13,838	13,838	--	--	13,838	12,097
Website and IT	32,025	25,957	57,982	6,144	--	64,126	47,580
Postage and shipping	248	--	248	2,625	--	2,873	1,851
Temps/Interns	2,000	--	2,000	244	--	2,244	2,073
Miscellaneous	10,902	6,289	17,191	3,332	794	21,317	23,912
Insurance	25,726	6,727	32,453	522	2,874	35,849	23,597
Accounting fees	--	--	--	--	--	--	134
Other professional fees	--	370	370	4,345	--	4,715	32,276
Conferences, conventions, meetings	30,503	2,852	33,355	7,323	1,730	42,408	39,970
Telephone	20,603	5,388	25,991	418	2,301	28,710	16,896
Supplies	17,447	4,913	22,360	--	40	22,400	24,225
Equipment rental and maintenance	25,638	5,470	31,108	412	--	31,520	36,001
Depreciation and amortization	5,606	1,466	7,072	114	626	7,812	7,811
<b>Total</b>	<b>\$ 3,062,517</b>	<b>\$ 1,129,448</b>	<b>\$ 4,191,965</b>	<b>\$ 103,898</b>	<b>\$ 259,731</b>	<b>\$ 4,555,594</b>	
<b>2015 Total</b>	<b>\$ 3,100,160</b>	<b>\$ 796,259</b>	<b>\$ 3,896,419</b>	<b>\$ 185,920</b>	<b>\$ 169,544</b>		<b>\$ 4,251,883</b>

See accompanying independent auditor's report.