

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, 2013  
and December 31, 2012

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 not-for-profit supporting organization, and The Thomas B. Fordham Institute, Inc. (the Institute), an Ohio publicly supported not-for-profit corporation (together, the Organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, 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*

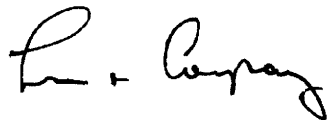
As explained in Note 3, the consolidated financial statements include investments valued at \$25,309,732 and \$28,984,755 at December 31, 2013 and 2012, respectively (forty-six and sixty percent of net assets, respectively), whose fair values have been estimated by management in the absence of readily 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, 2013 and 2012, 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.

*Other Matter*

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 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 taken as a whole.



Washington, D.C.  
July 25, 2014

THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 4,064,853	\$ 3,098,225
Short-term investments	416,851	9,130
Grants receivable	810,000	475,000
Accounts receivable	59,050	69,781
Other assets	14,796	14,796
	<hr/>	<hr/>
Total Current Assets	5,365,550	3,666,932
Grants receivable	60,000	250,000
Long-term investments	52,065,977	47,587,060
Building and improvements, net of accumulated depreciation of \$991,195 and \$825,994	5,148,405	5,249,196
Bond issuance costs, net of accumulated amortization of \$67,151 and \$56,297	257,127	267,981
Furniture and equipment, net of accumulated depreciation of \$150,819 and \$130,149	114,108	65,092
	<hr/>	<hr/>
Total Assets	<u>\$ 63,011,167</u>	<u>\$ 57,086,261</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 40,503	\$ 52,614
	<hr/>	<hr/>
Total Current Liabilities	40,503	52,614
Obligation due to interest rate swap	1,485,052	2,641,646
Bonds payable	6,300,000	6,300,000
	<hr/>	<hr/>
Total Liabilities	7,825,555	8,994,260
Net Assets - Unrestricted	52,944,158	45,850,635
Net Assets - Temporarily Restricted	2,241,454	2,241,366
	<hr/>	<hr/>
Total Net Assets	55,185,612	48,092,001
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 63,011,167</u>	<u>\$ 57,086,261</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 ACTIVITIES  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 6,719,367	\$ 4,835,413
Grants and contributions	1,676,878	576,981
Program service fees	378,439	303,956
Other income	41,461	18,795
Total unrestricted revenue	<u>8,816,145</u>	<u>5,735,145</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,351,378</u>	<u>2,162,968</u>
Total unrestricted support	<u>11,167,523</u>	<u>7,898,113</u>
Expenses		
Program Services		
National	3,085,071	2,542,886
Ohio	1,414,743	1,419,853
Management and general	673,932	740,483
Fund-raising	56,848	51,078
Total Expenses	<u>5,230,594</u>	<u>4,754,300</u>
Change in unrestricted net assets before gain on interest rate swap	5,936,929	3,143,813
Gain on interest rate swap	<u>1,156,594</u>	<u>91,762</u>
Total change in unrestricted net assets	<u>7,093,523</u>	<u>3,235,575</u>
Change in temporarily restricted net assets		
Grants and contributions	2,351,466	2,213,234
Net assets released from restriction	<u>(2,351,378)</u>	<u>(2,162,968)</u>
Change in temporarily restricted net assets	<u>88</u>	<u>50,266</u>
Change in net assets	7,093,611	3,285,841
Net assets, beginning of year	<u>48,092,001</u>	<u>44,806,160</u>
Net assets, end of year	<u>\$ 55,185,612</u>	<u>\$ 48,092,001</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,093,611	\$ 3,285,841
Adjustment to reconcile change in net assets to net cash provided by/(used in) by operating activities		
Depreciation and amortization	196,725	189,318
Realized and unrealized gains on investments	(5,928,661)	(4,176,800)
Gain on interest rate swap	(1,156,594)	(91,762)
Changes in assets and liabilities		
Accounts receivable	10,731	(48,813)
Grants receivable	(145,000)	(40,000)
Other assets	--	(2)
Accounts payable	<u>(12,111)</u>	<u>(16,142)</u>
Net Cash Provided by/(Used in) Operating Activities	58,701	(898,360)
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	(134,096)	(54,195)
Purchase of investments	(17,664,359)	(6,400,096)
Sale of investments	<u>18,706,382</u>	<u>7,984,476</u>
Net Cash Provided by Investing Activities	<u>907,927</u>	<u>1,530,185</u>
Net change in Cash and Cash Equivalents	966,628	631,825
Cash and Cash Equivalents, beginning of year	<u>3,098,225</u>	<u>2,466,400</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,064,853</u>	<u>\$ 3,098,225</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 278,587</u>	<u>\$ 279,526</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;

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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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1. Organization (continued)

- 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.

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.

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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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2. Summary of Significant Accounting Policies (continued)

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.

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.

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.

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

3. Investments (continued)

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>2013</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 19,580,215	\$ 4,969,345	\$ 24,549,560
Bonds	808,344	1,398,341	2,206,685
Other investments	25,147,561	162,171	25,309,732
Money market accounts	371,045	45,806	416,851
Total	<u>\$ 45,907,165</u>	<u>\$ 6,575,663</u>	<u>\$ 52,482,828</u>

<u>2012</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 11,980,182	\$ 4,211,540	\$ 16,191,722
Bonds	1,025,360	1,385,223	2,410,583
Other investments	28,815,269	169,486	28,984,755
Money market accounts	--	9,130	9,130
Total	<u>\$ 41,820,811</u>	<u>\$ 5,775,379</u>	<u>\$ 47,596,190</u>

Investment income consisted of the following:

<u>2013</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 578,619	\$ 212,087	\$ 790,706
Net realized and unrealized gains	<u>5,340,465</u>	<u>588,196</u>	<u>5,928,661</u>
Total	<u>\$ 5,919,084</u>	<u>\$ 800,283</u>	<u>\$ 6,719,367</u>

<u>2012</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 484,089	\$ 174,524	\$ 658,613
Net realized and unrealized gains	<u>3,764,170</u>	<u>412,630</u>	<u>4,176,800</u>
Total	<u>\$ 4,248,259</u>	<u>\$ 587,154</u>	<u>\$ 4,835,413</u>

Continued

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

4. Fair Value Measurement

The Organization implemented Accounting Standards Codification (ASC) 820 as of January 1, 2008. Implementation of ASC 820 did not affect the Organization's change in net assets or statement of financial position and had no effect on the Organization's existing fair-value measurement practices. However, ASC 820 requires disclosure of a fair-value hierarchy of inputs the Organization uses to value an asset or a 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>2013</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 24,549,560	\$ --	\$ --	\$ 24,549,560
Bonds	2,206,685	--	--	2,206,685
Other investments	--	--	25,309,732	25,309,732
Money market accounts	416,851	--	--	416,851
Total	<u>\$ 27,173,096</u>	<u>\$ --</u>	<u>\$ 25,309,732</u>	<u>\$ 52,482,828</u>

<u>2012</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 16,191,722	\$ --	\$ --	\$ 16,191,722
Bonds	2,410,583	--	--	2,410,583
Other investments	--	--	28,984,755	28,984,755
Money market accounts	9,130	--	--	9,130
Total	<u>\$ 18,611,435</u>	<u>\$ --</u>	<u>\$ 28,984,755</u>	<u>\$ 47,596,190</u>

Continued

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

4. Fair Value Measurement (continued)

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, 2012	\$ 28,984,755
Appreciation in value	2,683,934
Purchases and sales, net	<u>(6,358,957)</u>
Value as of December 31, 2013	<u>\$ 25,309,732</u>

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

5. Grants Receivable

At December 31, 2013 and 2012, Grants receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Due in one year or less:		
Kovner Foundation	\$ 100,000	\$ 100,000
Stanford University	150,000	250,000
Gates Foundation	500,000	--
Schwartz Foundation	60,000	--
Schwab Foundation	--	125,000
Due in two to four years:		
Kovner Foundation	--	100,000
Schwartz Foundation	60,000	--
Stanford University	<u>--</u>	<u>150,000</u>
Total	<u>\$ 870,000</u>	<u>\$ 725,000</u>

6. Property and Equipment

Building and Improvements

The Fordham Foundation (the Foundation) owns two floors of an office building in Washington, DC used primarily as office space for the Fordham Foundation and Fordham 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.

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

6. Property and Equipment (continued)

At December 31, 2013 and 2012, building and improvements consisted of the following:

	<u>2013</u>	<u>2012</u>
Building	\$ 3,453,481	\$ 3,453,481
Land	1,672,500	1,672,500
Capital Improvements	<u>1,013,619</u>	<u>949,209</u>
Total, building and improvements	6,139,600	6,075,190
Less: Accumulated amortization and depreciation	<u>(991,195)</u>	<u>(825,994)</u>
Net, building and improvements	<u>\$ 5,148,405</u>	<u>\$ 5,249,196</u>

Total amortization and depreciation expense was \$165,201 and \$168,003 in 2013 and 2012, respectively.

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, 2013 and 2012, furniture and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and Equipment	\$ 264,927	\$ 195,241
Less: Accumulated Depreciation	<u>(150,819)</u>	<u>(130,149)</u>
Total, Furniture and Equipment	<u>\$ 114,108</u>	<u>\$ 65,092</u>

Total depreciation expense was \$20,670 and \$10,460 in 2013 and 2012, respectively.

Continued

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

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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 was \$6,300,000. 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 \$1,156,594 and \$91,762 in 2013 and 2012, respectively. At December 31, 2013 and 2012, the liability associated with the swap agreement was valued at \$1,485,052 and \$2,641,646, 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 Statement of Financial Accounting Standards No. 133. The loss figure reported by SunTrust does not necessarily reflect Fordham's true cost should it wish to terminate the swap agreement.

In May 2009 there was a failed remarketing of the bonds due to a downgrade in SunTrust's credit rating by Standard & Poor's. The bonds were successfully remarketed in September 2009. During the interim the trustee drew on the bank Letter of Credit, which was funded by a loan to the Foundation. This resulted in additional financing costs to the Foundation. The Foundation's interest expense for 2013 and 2012 was \$278,587 and \$279,526, 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, 2013.

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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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8. Commitments

The organization leases office space in Dayton and Columbus, Ohio, expiring in 2019 and 2015 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:

2014	56,053
2015	58,126
2016	41,748
2017	41,748
2018	35,808
Thereafter	<u>22,340</u>
 Total	 <u>\$ 255,823</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 \$557,616 and \$550,417 in 2013 and 2012, respectively.

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2013, total capital commitments are as follows:

Institute	\$ 3,125
Foundation	<u>6,630,736</u>
 Total	 <u>\$ 6,633,861</u>

9. Conditional Promises to Give

At December 31, 2013 the Organization had \$640,050 of promises to give conditional on the Organization's performance in achieving certain goals.

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

10. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Governing Common Core	\$ --	\$ 69,112
Best Cities for School Choice	105,000	--
Defending the Common Core	133,947	--
EdChoice Voucher Study	181,746	--
International Frameworks	40,771	40,771
Career and Tech Education	99,000	--
Charter Competition	75,000	--
Common Core Set	317,757	504,821
Ohio Public Conferences	29,511	32,766
Red Tape, Fear or Fallacy	28,743	92,750
Teacher Unions	--	13,606
Pensions	95	51,711
Losing Leaders	67,039	--
Doing More With Less	46,731	93,497
Science Standards	13,733	118,566
Fellows	149,740	26,865
International High Achievers	75,371	--
EEPS	14,998	23,980
School Construction	--	45,776
Ohio Speakers	566	3,072
Ohio Common Core Coalition	71,782	--
Parent Segmenting	16,623	--
Ohio Digital Learning Event	3,812	3,812
Smarick Book	--	5,313
Choice Support	630,804	604,097
Ed Hirsch Tribute	2,168	--
Ohio Policy	--	38,077
Florida Pensions	50,490	27,581
General Operating Support	--	150,268
Governance	81,027	294,925
Ohio Charter School Implementation	<u>5,000</u>	<u>--</u>
Total	<u>\$ 2,241,454</u>	<u>\$ 2,241,366</u>

Continued



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

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11. 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 2013 and 2012, contributions to the retirement plan were \$189,025 and \$185,175, respectively.

12. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$35,779 and \$42,091 in fees to this firm in 2013 and 2012, respectively.

13. 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, 2013 and 2012, 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.

14. Tax Status

On January 1, 2007, Fordham Foundation notified the IRS of their intent to terminate their private foundation status by operating as a 509(a)(3) supporting organization. Supporting organizations are public charities that carry out their exempt purposes by supporting one or more other exempt organizations, usually other public charities.

On October 26, 2007, the IRS issued an advance ruling to the Fordham Foundation stating that the Foundation will be treated as a public charity under section 509(a)(3) of the U.S. Internal Revenue Code for an advance ruling period of 60 months beginning January 1, 2007. The IRS informed the Foundation in February 2013 that it had successfully terminated its private foundation status.

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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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15. Subsequent Event

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, 2014, 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.

Continued

**OTHER FINANCIAL 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, 2013  
 (with comparative totals for 2012)

	Program		Management & General	Fund- raising	Total Expenses	2012 Total
	National	Ohio	Total			
Grants	\$ 64,940	\$ 209,859	\$ 274,799	\$ --	\$ 274,799	\$ 218,197
Salaries	1,164,492	465,744	1,630,236	21,824	1,912,154	1,712,336
Pension plan contributions	116,293	44,792	161,085	2,320	189,025	185,175
Other employee benefits	87,623	41,723	129,346	1,096	151,394	129,018
Payroll taxes	82,309	33,106	115,415	1,527	135,364	116,831
Contracts	578,960	137,488	716,448	18,537	844,854	794,836
Brokerage fees	101,329	61,264	162,593	205	189,716	121,860
Printing and publications	20,496	6,477	26,973	525	31,720	24,849
Occupancy	318,557	158,102	476,659	3,462	557,616	550,417
Travel	150,505	56,801	207,306	3,098	243,318	166,547
Legal fees	20,645	10,371	31,016	214	36,278	45,243
Website and IT	79,620	41,294	120,914	720	141,371	102,222
Postage and shipping	5,373	2,302	7,675	88	8,994	9,708
Temps/Interns	22,083	6,953	29,036	567	34,147	92,743
Miscellaneous	21,973	10,760	32,733	251	38,299	29,693
Insurance	34,367	18,255	52,622	276	61,506	61,061
Accounting fees	22,564	9,193	31,757	409	37,240	37,700
Other professional fees	3,937	1,487	5,424	81	6,366	13,440
Conferences, conventions, meetings	15,946	5,599	21,545	362	25,308	43,603
Telephone	25,929	11,035	36,964	432	43,325	36,488
Supplies	15,477	6,218	21,695	288	25,446	23,478
Equipment rental and maintenance	28,116	10,764	38,880	566	45,629	49,537
Depreciation and amortization	103,537	65,156	168,693	--	196,725	189,318
Total	\$ 3,085,071	\$ 1,414,743	\$ 4,499,814	\$ 56,848	\$ 5,230,594	
2012 Total	\$ 2,542,886	\$ 1,419,853	\$ 3,962,739	\$ 51,078	\$ 4,754,300	

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
SCHEDULE OF FINANCIAL POSITION  
December 31, 2013 and 2012  
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 288,995	\$ 633,353
Short-term investments	371,045	--
Accounts receivable from Fordham Institute	356,979	214,822
Other accounts receivable	58,286	69,281
Other assets	<u>14,796</u>	<u>14,796</u>
Total Current Assets	1,090,101	932,252
Long-term investments	45,536,120	41,820,811
Building and improvements, net of accumulated depreciation of \$991,195 and \$825,994	5,148,405	5,249,196
Bond issuance costs, net of accumulated amortization of \$67,151 and \$56,297	257,127	267,981
Furniture and equipment, net of accumulated depreciation of \$150,819 and \$130,149	<u>58,212</u>	<u>65,092</u>
Total Assets	<u>\$ 52,089,965</u>	<u>\$ 48,335,332</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	<u>\$ 8,317</u>	<u>\$ 52,614</u>
Total Current Liabilities	8,317	52,614
Obligation due to interest rate swap	1,485,052	2,641,646
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
Total Liabilities	7,793,369	8,994,260
Net Assets - Unrestricted	<u>44,296,596</u>	<u>39,341,072</u>
Total Net Assets	<u>44,296,596</u>	<u>39,341,072</u>
Total Liabilities and Net Assets	<u>\$ 52,089,965</u>	<u>\$ 48,335,332</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
SCHEDULE OF ACTIVITIES  
For the Years Ended December 31, 2013 and 2012  
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 5,919,084	\$ 4,248,259
Program service fees	378,439	303,956
Other income	34,713	14,333
Total unrestricted revenue	<u>6,332,236</u>	<u>4,566,548</u>
Expenses		
Program Services		
National	1,266,485	979,954
Ohio	929,309	703,015
Management and general	337,512	438,204
Total Expenses	<u>2,533,306</u>	<u>2,121,173</u>
Change in unrestricted net assets before gain on interest rate swap	3,798,930	2,445,375
Gain on interest rate swap	<u>1,156,594</u>	<u>91,762</u>
Total change in unrestricted net assets	4,955,524	2,537,137
Net assets, beginning of year	<u>39,341,072</u>	<u>36,803,935</u>
Net assets, end of year	<u>\$ 44,296,596</u>	<u>\$ 39,341,072</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 For the Year Ended December 31, 2013  
 (EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)  
 With Comparative Totals for 2012

	Program			Management & General	Total Expenses	2012 Total
	National	Ohio	Total			
Grants	\$ 19,940	\$ 144,859	\$ 164,799	\$ --	\$ 164,799	\$ 176,697
Salaries	483,620	304,341	787,961	130,944	918,905	600,497
Pension plan contributions	43,911	27,634	71,545	11,890	83,435	69,973
Other employee benefits	53,415	33,614	87,029	14,463	101,492	58,768
Payroll taxes	34,660	21,811	56,471	9,384	65,855	44,623
Contracts	621	391	1,012	168	1,180	18,240
Brokerage fees	94,948	59,751	154,699	25,708	180,407	120,176
Printing and publications	4,127	2,597	6,724	1,117	7,841	5,560
Occupancy	210,550	132,499	343,049	57,008	400,057	476,680
Travel	53,852	33,889	87,741	14,581	102,322	89,108
Legal fees	13,965	8,788	22,753	3,781	26,534	43,027
Website and IT	57,158	35,969	93,127	15,476	108,603	51,553
Postage and shipping	2,620	1,649	4,269	709	4,978	4,659
Temps/Interns	4,381	2,757	7,138	1,186	8,324	37,656
Miscellaneous	14,146	8,903	23,049	3,830	26,879	15,768
Insurance	25,770	16,217	41,987	6,977	48,964	39,505
Accounting fees	9,800	6,167	15,967	2,653	18,620	37,700
Other professional fees	1,412	888	2,300	382	2,682	3,614
Conferences, conventions, meetings	4,638	2,919	7,557	1,256	8,813	10,017
Telephone	12,463	7,843	20,306	3,375	23,681	5,607
Supplies	6,499	4,090	10,589	1,760	12,349	9,850
Equipment rental and maintenance	10,452	6,577	17,029	2,832	19,861	12,577
Depreciation and amortization	103,537	65,156	168,693	28,032	196,725	189,318
<b>Total</b>	<b>\$ 1,266,485</b>	<b>\$ 929,309</b>	<b>\$ 2,195,794</b>	<b>\$ 337,512</b>	<b>\$ 2,533,306</b>	
<b>2012 Total</b>	<b>\$ 979,954</b>	<b>\$ 703,015</b>	<b>\$ 1,682,969</b>	<b>\$ 438,204</b>		<b>\$ 2,121,173</b>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF FINANCIAL POSITION  
December 31, 2013 and 2012  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,775,858	\$ 2,464,872
Short-term investments	45,806	9,130
Grants receivable	810,000	475,000
Other receivables	764	500
	<hr/>	<hr/>
Total Current Assets	4,632,428	2,949,502
Grants receivable	60,000	250,000
Long-term investments	6,529,857	5,766,249
Furniture and equipment	55,896	--
	<hr/>	<hr/>
Total Assets	<u>\$ 11,278,181</u>	<u>\$ 8,965,751</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Total Liabilities</b>		
Accounts payable to Fordham Foundation	\$ 356,979	\$ 214,822
Other accounts payable	32,186	--
	<hr/>	<hr/>
Total Liabilities	389,165	214,822
<b>Net Assets</b>		
Net Assets - Unrestricted	8,647,562	6,509,563
Net Assets - Temporarily Restricted	2,241,454	2,241,366
	<hr/>	<hr/>
Total Net Assets	10,889,016	8,750,929
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 11,278,181</u>	<u>\$ 8,965,751</u>

See accompanying independent auditor's report.



THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF ACTIVITIES  
For the Years Ended December 31, 2013 and 2012  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2013</u>	<u>2012</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 800,283	\$ 587,154
Grants and contributions	1,676,878	576,981
Other income	6,748	4,462
Total unrestricted revenue	<u>2,483,909</u>	<u>1,168,597</u>
Net assets released from restrictions		
Satisfaction of program restrictions	2,351,378	2,162,968
Total unrestricted support	<u>4,835,287</u>	<u>3,331,565</u>
Expenses		
Program Services		
National	1,818,586	1,562,932
Ohio	485,434	716,838
Management and general	336,420	302,279
Fund-raising	56,848	51,078
Total Expenses	<u>2,697,288</u>	<u>2,633,127</u>
Change in unrestricted net assets	2,137,999	698,438
Change in temporarily restricted net assets		
Grants and contributions	2,351,466	2,213,234
Net assets released from restriction	<u>(2,351,378)</u>	<u>(2,162,968)</u>
Change in temporarily restricted net assets	<u>88</u>	<u>50,266</u>
Change in net assets	2,138,087	748,704
Net assets, beginning of year	<u>8,750,929</u>	<u>8,002,225</u>
Net assets, end of year	<u>\$ 10,889,016</u>	<u>\$ 8,750,929</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)  
With Comparative Totals for 2012

	Program			Management & General	Fund- raising	Total Expenses	2012 Total
	National	Ohio	Total				
Grants	\$ 45,000	\$ 65,000	\$ 110,000	\$ --	\$ --	\$ 110,000	\$ 41,500
Salaries	680,872	161,403	842,275	129,150	21,824	993,249	1,111,839
Pension plan contributions	72,382	17,158	89,540	13,730	2,320	105,590	115,202
Other employee benefits	34,208	8,109	42,317	6,489	1,096	49,902	70,250
Payroll taxes	47,649	11,295	58,944	9,038	1,527	69,509	72,208
Contracts	578,339	137,097	715,436	109,701	18,537	843,674	776,596
Brokerage fees	6,381	1,513	7,894	1,210	205	9,309	1,684
Printing and publications	16,369	3,880	20,249	3,105	525	23,879	19,289
Occupancy	108,007	25,603	133,610	20,487	3,462	157,559	73,737
Travel	96,653	22,912	119,565	18,333	3,098	140,996	77,439
Legal fees	6,680	1,583	8,263	1,267	214	9,744	2,216
Website and IT	22,462	5,325	27,787	4,261	720	32,768	50,669
Postage and shipping	2,753	653	3,406	522	88	4,016	5,049
Temps/Interns	17,702	4,196	21,898	3,358	567	25,823	55,087
Miscellaneous	7,827	1,857	9,684	1,485	251	11,420	13,925
Insurance	8,597	2,038	10,635	1,631	276	12,542	21,556
Accounting fees	12,764	3,026	15,790	2,421	409	18,620	--
Other professional fees	2,525	599	3,124	479	81	3,684	9,826
Conferences, conventions, meetings	11,308	2,680	13,988	2,145	362	16,495	33,586
Telephone	13,466	3,192	16,658	2,554	432	19,644	30,881
Supplies	8,978	2,128	11,106	1,703	288	13,097	13,628
Equipment rental and maintenance	17,664	4,187	21,851	3,351	566	25,768	36,960
<b>Total</b>	<b>\$ 1,818,586</b>	<b>\$ 485,434</b>	<b>\$ 2,304,020</b>	<b>\$ 336,420</b>	<b>\$ 56,848</b>	<b>\$ 2,697,288</b>	
<b>2012 Total</b>	<b>\$ 1,562,932</b>	<b>\$ 716,838</b>	<b>\$ 2,279,770</b>	<b>\$ 302,279</b>	<b>\$ 51,078</b>		<b>\$ 2,633,127</b>

See accompanying independent auditor's report.