

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

**Consolidated Financial Statements
For the Years Ended December 31, 2017
and December 31, 2016**

**and
Report Thereon**

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, 2017 and 2016, 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

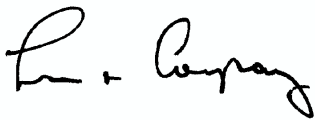
As explained in Note 3, the consolidated financial statements include investments valued at \$24,927,916 and \$23,131,097 at December 31, 2017 and 2016, respectively (forty-two and forty-four percent of net assets, respectively), whose fair values have been estimated by management in the absence of readily 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, 2017 and 2016, 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. R. Ruppel". The signature is written in a cursive style with a large initial "L" and a distinct "R" and "Ruppel" following.

Washington, D.C.
July 27, 2018

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND
THE THOMAS B. FORDHAM INSTITUTE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,730,445	\$ 2,317,848
Short-term investments	578,182	590,314
Grants receivable	924,000	441,826
Accounts receivable	85,739	83,409
Other assets	<u>15,572</u>	<u>15,836</u>
Total Current Assets	3,333,938	3,449,233
Long-term investments	59,419,194	53,177,935
Building and improvements, net of accumulated depreciation of \$1,717,277 and \$1,530,790	4,596,110	4,778,197
Bond issuance costs, net of accumulated amortization of \$706 and \$99,716	308,623	224,562
Furniture and equipment, net of accumulated depreciation of \$248,353 and \$224,807	<u>52,146</u>	<u>75,692</u>
Total Assets	<u>\$ 67,710,011</u>	<u>\$ 61,705,619</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 246,833	\$ 275,854
Bonds payable, current portion	<u>295,757</u>	<u>-</u>
Total Current Liabilities	542,590	275,854
Obligation due to interest rate swap	2,339,023	2,443,130
Bonds payable, long-term portion	<u>6,130,243</u>	<u>6,300,000</u>
Total Liabilities	9,011,856	9,018,984
Net Assets - Unrestricted	57,211,493	50,945,862
Net Assets - Temporarily Restricted	<u>1,486,662</u>	<u>1,740,773</u>
Total Net Assets	<u>58,698,155</u>	<u>52,686,635</u>
Total Liabilities and Net Assets	<u>\$ 67,710,011</u>	<u>\$ 61,705,619</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 7,990,891	\$ 4,382,619
Grants and contributions	1,613,000	378,000
Program service fees	643,444	549,145
Other income	<u>1,032</u>	<u>487</u>
Total unrestricted revenue	10,248,367	5,310,251
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,625,706</u>	<u>2,919,363</u>
Total unrestricted support	12,874,073	8,229,614
Expenses		
Program Services		
National	3,018,893	3,547,648
Ohio	2,433,229	2,125,860
Management and general	988,738	722,067
Fund-raising	<u>271,689</u>	<u>259,731</u>
Total Expenses	<u>6,712,549</u>	<u>6,655,306</u>
Change in unrestricted net assets before gain on interest rate swap	6,161,524	1,574,308
Gain on interest rate swap	<u>104,107</u>	<u>155,586</u>
Total change in unrestricted net assets	<u>6,265,631</u>	<u>1,729,894</u>
Change in temporarily restricted net assets		
Grants and contributions	2,371,595	2,421,648
Net assets released from restriction	<u>(2,625,706)</u>	<u>(2,919,363)</u>
Change in temporarily restricted net assets	<u>(254,111)</u>	<u>(497,715)</u>
Change in net assets	6,011,520	1,232,179
Net assets, beginning of year	<u>52,686,635</u>	<u>51,454,456</u>
Net assets, end of year	<u>\$ 58,698,155</u>	<u>\$ 52,686,635</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 6,011,520	\$ 1,232,179
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	435,303	223,737
Realized and unrealized gains on investments	(6,552,422)	(3,581,824)
Gain on interest rate swap	(104,107)	(155,586)
Changes in assets and liabilities		
Grants receivable	(482,174)	708,174
Accounts receivable	(2,330)	34,156
Other assets	264	(495)
Accounts payable	<u>(29,021)</u>	<u>195,317</u>
Net Cash Used in Operating Activities	(722,967)	(1,344,342)
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	(4,400)	--
Purchase of investments	(5,820,321)	(10,111,142)
Sale of investments	<u>6,143,614</u>	<u>10,122,229</u>
Net Cash Provided by Investing Activities	<u>318,893</u>	<u>11,087</u>
Cash Flows from Financing Activities		
Bonds redeemed	(6,300,000)	--
Bonds issued	6,426,000	--
Bond issuance costs	<u>(309,329)</u>	<u>--</u>
Net Cash Used in Financing Activities	<u>(183,329)</u>	<u>--</u>
Net change in Cash and Cash Equivalents	(587,403)	(1,333,255)
Cash and Cash Equivalents, beginning of year	<u>2,317,848</u>	<u>3,651,103</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,730,445</u>	<u>\$ 2,317,848</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 281,984</u>	<u>\$ 278,748</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**

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 Institute and Foundation promote educational excellence for every child in America via quality research, analysis, and commentary, as well as advocacy and charter school authorizing in Ohio.

We advance:

- high standards, strong assessments of student learning, and common-sense accountability for schools and children across the achievement spectrum;
- quality education options and high-quality school-performance information for every family; and
- a student-centered system that provides clear pathways to upward mobility, good citizenship, and successful participation in adult society.

We promote education reform by:

- producing relevant, rigorous policy research and analysis;
- providing “thought leadership” to policy makers, philanthropists, advocacy groups, and others through timely and persuasive commentary;
- advocating sound education policies in Ohio related to standards, assessments, school choice, and other promising reforms;
- serving as a model charter school authorizer and sharing our lessons throughout and beyond Ohio; and
- incubating new ideas, innovations, organizations, school models, and visionary leaders to advance education excellence.

Continued

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

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.

Continued

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

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets, as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Organization's fiscal year 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update requires that revenue should be recognized to depict the transfer of promised goods and services to customers in an amount that reflects consideration of which entity expects to be entitled in exchange for these goods and services, utilizing a five-step analysis of transactions to determine when revenue is recognized. The guidance is effective beginning in the Organization's fiscal year 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Organization's fiscal year 2020.

The Organization is currently evaluating the effects that the updated standards will have on the financial statements and plans to adopt the new ASUs at the required implementation date.

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**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>2017</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 25,844,660	\$ 6,179,503	\$ 32,024,163
Fixed income securities	1,284,634	1,182,481	2,467,115
Other investments	24,376,360	551,556	24,927,916
Money market accounts	473,225	104,957	578,182
Total	<u>\$ 51,978,879</u>	<u>\$ 8,018,497</u>	<u>\$ 59,997,376</u>

<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>

Investment income consisted of the following:

<u>2017</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 1,115,612	\$ 322,857	\$ 1,438,469
Net realized and unrealized gain	<u>5,905,679</u>	<u>646,743</u>	<u>6,552,422</u>
Total	<u>\$ 7,021,291</u>	<u>\$ 969,600</u>	<u>\$ 7,990,891</u>

<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>

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>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 32,024,163	\$ --	\$ --	\$ 32,024,163
Fixed income securities	2,467,115	--	--	2,467,115
Other investments	--	--	24,927,916	24,927,916
Money market accounts	<u>578,182</u>	--	--	<u>578,182</u>
Total	<u>\$ 35,069,460</u>	<u>\$ --</u>	<u>\$ 24,927,916</u>	<u>\$ 59,997,376</u>

<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	<u>590,314</u>	--	--	<u>590,314</u>
Total	<u>\$ 30,637,152</u>	<u>\$ --</u>	<u>\$ 23,131,097</u>	<u>\$ 53,768,249</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, 2016	\$ 23,131,097
Appreciation in value	2,023,806
Purchases and sales, net	<u>(226,987)</u>
Value as of December 31, 2017	<u>\$ 24,927,916</u>

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

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

5. Grants Receivable

At December 31, 2017 and 2016, Grants receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Due in one year or less:		
Hewlett Foundation	\$ --	\$ 75,000
Louis Calder Foundation	--	200,000
Kovner Foundation	--	100,000
Mathile Family Foundation	--	20,000
Kern Foundation	--	46,826
Strada Education Network	100,000	--
Carnegie Corporation of New York	74,000	--
Schusterman Foundation	200,000	--
Gates Foundation	<u>550,000</u>	<u>--</u>
 Total	 <u>\$ 924,000</u>	 <u>\$ 441,826</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, 2017 and 2016, building and improvements consisted of the following:

	<u>2017</u>	<u>2016</u>
Building	\$ 3,453,481	\$ 3,453,481
Land	1,672,500	1,672,500
Capital Improvements	<u>1,187,406</u>	<u>1,183,006</u>
 Total, building and improvements	 6,313,387	 6,308,987
 Less: Accumulated amortization and depreciation	 <u>(1,717,277)</u>	 <u>(1,530,790)</u>
 Net, building and improvements	 <u>\$ 4,596,110</u>	 <u>\$ 4,778,197</u>

Total amortization and depreciation expense was \$186,487 and \$186,389 in 2017 and 2016, respectively.

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

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, 2017 and 2016, furniture and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 300,499	\$ 300,499
Less: Accumulated Depreciation	<u>(248,353)</u>	<u>(224,807)</u>
Total, Furniture and Equipment	<u>\$ 52,146</u>	<u>\$ 75,692</u>

Total depreciation expense was \$15,736 and \$26,493 in 2017 and 2016, respectively.

7. Bonds Payable and Bond Issuance Costs

In 2007, the Foundation participated in the District of Columbia's tax-exempt bond program to help with the financing of its building purchase. The original amount financed through a letter of credit with a financial institution was \$6,300,000, which expired on April 13, 2018. The Foundation redeemed the 2007 bond issuance in December 2017 and issued \$6,426,000 of District of Columbia Revenue Bonds (Thomas B Fordham Foundation Issue) Series 2017. Effective December 1, 2017, the Foundation entered into a letter of credit agreement with SunTrust Bank for \$6,426,000. Under the agreement, the bank purchased the 2017 bonds and agreed to hold them as non-bank qualified tax-exempt debt. The bonds have a twelve year term and carry a variable interest rate. The costs associated with the original bond issuance were fully amortized in 2017. The costs associated with the new bond issuance have been classified as bond issuance costs on the consolidated statement of financial position and are being amortized over twelve years. As part of the terms of the letter of credit, the Foundation is required to make principal payments of \$26,887 per month beginning February 1, 2018 along with the required interest.

The principal payments under the letter of credit are as follows:

2018	295,757
2019	322,644
2020	322,644
2021	322,644
2022 and thereafter	<u>5,162,311</u>
Total	<u>\$ 6,426,000</u>

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

7. Bonds Payable and Bond Issuance Costs (continued)

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 \$104,107 in 2017 and a gain of \$155,586 in 2016, respectively. At December 31, 2017 and 2016, the liability associated with the swap agreement was valued at \$2,339,023 and \$2,443,130, 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 2017 and 2016 was \$281,984 and \$278,748, respectively.

There are a number of financial and operating covenants associated with the bonds and with the Bank’s participation in the project. The Foundation was in compliance with all material terms and conditions of the debt instruments as of December 31, 2017.

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 2022.

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

2018	74,323
2019	70,361
2020	48,526
2021	23,125
2022	<u>14,658</u>
 Total	 <u>\$ 230,993</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 \$564,004 and \$573,162 in 2017 and 2016, respectively.

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2017, total capital commitments are as follows:

Institute	\$ 3,125
Foundation	<u>10,061,633</u>
 Total	 <u>\$ 10,064,758</u>

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

9. Temporarily Restricted Net Assets

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

	<u>2017</u>		<u>2016</u>
Common Core Commentary	\$ 74,000	\$	74,300
Advanced Placement Book	59,624		--
CTE Labor Market Demand	187,598		--
EdChoice Voucher Study	--		36,028
International Frameworks	40,771		40,771
Core Knowledge Event	3,577		3,577
Charter Locations Study	--		44,579
Common Core Set	--		297,800
Ohio School Choice	57,329		--
Ohio Public Conferences	2,294		2,294
Red Tape, Fear or Fallacy	28,743		28,743
Common Core Assessments	--		21,125
What Teens Want	--		26,358
Catholic Schools and Noncognitive Skills	64,229		99,868
Dayton Area School Reform	20,000		20,000
State Pensions	395		15,712
ESSA Commentary	300		99,295
ESSA High Achievers	--		19,221
Leveraging ESSA	16,098		63,365
Engage Ohio Consultants	19,485		--
Gifted Education Policies	11,694		11,694
Grade Inflation	74,000		--
Discipline Policy – NYC	206,644		49,291
EEPS	19,015		--
College Predictor	--		37,771
Ohio Speakers	566		566
Ohio Standards Coalition	56,538		71,373
Ohio Charter Coalition	81,780		26,135
Communities of Practice	--		4,244
Parent Segmenting	16,623		16,623
Success Academy Book	39,059		50,000
Knowledge Matters Campaign	60		181,249
Ohio School Closures	8,960		8,960
Choice Support	344,891		384,831
Our Ohio Renewal	47,389		--
Ohio Charter School Implementation	5,000		5,000
	<u>5,000</u>		<u>5,000</u>
Total	<u>\$ 1,486,662</u>	\$	<u>1,740,773</u>

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

10. Conditional Promises to Give

At December 31, 2017, the Organization had \$445,000 of promises to give that were made to the Organization, which were conditional on the Organization achieving certain goals. These promises will not be recognized as receivables or revenue until the conditions on which they depend are substantially satisfied.

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 2017 and 2016, contributions to the retirement plan were \$266,735 and \$283,124, respectively.

12. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$44,198 and \$48,409 in fees to this firm in 2017 and 2016, 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, 2017 and 2016, 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. 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 27, 2018, 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, 2017
(with comparative totals for 2016)**

	<u>Program</u>			<u>Management & General</u>	<u>Fund- raising</u>	<u>Total Expenses</u>	<u>2016 Total</u>
	<u>National</u>	<u>Ohio</u>	<u>Total</u>				
Grants	\$ 16,000	\$ 134,333	\$ 150,333	\$ --	\$ --	\$ 150,333	\$ 190,945
Salaries	1,194,504	1,009,363	2,203,867	130,436	173,403	2,507,706	2,726,041
Pension plan contributions	130,883	109,081	239,964	9,501	17,270	266,735	283,124
Other employee benefits	116,596	86,643	203,239	10,298	17,632	231,169	250,026
Payroll taxes	79,085	66,164	145,249	8,474	11,515	165,238	181,681
Contracts	680,967	511,955	1,192,922	3,589	428	1,196,939	1,168,378
Brokerage fees	--	--	--	490,651	--	490,651	383,116
Printing and publications	3,835	15,775	19,610	2,669	3,689	25,968	29,169
Occupancy	350,290	129,314	479,604	52,407	31,993	564,004	573,162
Travel	82,729	54,778	137,507	25,301	4,323	167,131	186,789
Legal fees	20,000	29,553	49,553	20,232	--	69,785	62,247
Website and IT	32,606	26,575	59,181	7,129	--	66,310	80,516
Postage and shipping	3,424	858	4,282	2,164	744	7,190	5,021
Temps/Interns	4,356	2,015	6,371	1,829	--	8,200	14,634
Miscellaneous	27,364	36,679	64,043	10,490	795	75,328	29,371
Insurance	36,070	29,316	65,386	3,566	2,879	71,831	71,507
Accounting fees	--	--	--	37,000	--	37,000	36,163
Other professional fees	2,105	90	2,195	15,706	--	17,901	7,158
Conferences, conventions, meetings	8,705	17,636	26,341	3,203	600	30,144	46,709
Telephone	23,615	7,978	31,593	2,579	2,296	36,468	35,637
Supplies	7,573	17,093	24,666	25,070	151	49,887	32,912
Equipment rental and maintenance	30,115	7,611	37,726	256	3,346	41,328	37,263
Depreciation and amortization	168,071	140,419	308,490	126,188	625	435,303	223,737
Total	\$ 3,018,893	\$ 2,433,229	\$ 5,452,122	\$ 988,738	\$ 271,689	\$ 6,712,549	
2016 Total	\$ 3,547,648	\$ 2,125,860	\$ 5,673,508	\$ 722,067	\$ 259,731		\$ 6,655,306

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2017 and 2016
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 384,108	\$ 83,052
Short-term investments	473,225	565,389
Accounts receivable from Fordham Institute	182,228	210,522
Other accounts receivable	85,739	83,409
Other assets	12,918	12,918
 Total Current Assets	 1,138,218	 955,290
 Long-term investments	 51,505,654	 46,142,381
Building and improvements, net of accumulated depreciation of \$1,717,277 and \$1,530,790	4,596,110	4,778,197
Bond issuance costs, net of accumulated amortization of \$706 and \$99,716	308,623	224,562
Furniture and equipment, net of accumulated depreciation of \$219,061 and \$203,326	3,326	19,061
 Total Assets	 \$ 57,551,931	 \$ 52,119,491
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 185,732	\$ 176,482
Bonds payable, current portion	295,757	-
 Total Current Liabilities	 481,489	 176,482
 Obligation due to interest rate swap	 2,339,023	 2,443,130
Bonds payable, long-term portion	6,130,243	6,300,000
 Total Liabilities	 8,950,755	 8,919,612
 Net Assets - Unrestricted	 48,601,176	 43,199,879
 Total Net Assets	 48,601,176	 43,199,879
 Total Liabilities and Net Assets	 \$ 57,551,931	 \$ 52,119,491

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 7,021,291	\$ 3,756,838
Program service fees	643,444	549,145
Other income	728	27
Total unrestricted revenue	<u>7,665,463</u>	<u>4,306,010</u>
Expenses		
Program Services		
National	417,539	485,131
Ohio	1,072,062	996,412
Management and general	<u>878,672</u>	<u>618,169</u>
Total Expenses	<u>2,368,273</u>	<u>2,099,712</u>
Change in unrestricted net assets before gain on interest rate swap	5,297,190	2,206,298
Gain on interest rate swap	<u>104,107</u>	<u>155,586</u>
Total change in unrestricted net assets	5,401,297	2,361,884
Net assets, beginning of year	<u>43,199,879</u>	<u>40,837,995</u>
Net assets, end of year	<u>\$ 48,601,176</u>	<u>\$ 43,199,879</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)
With Comparative Totals for 2016

	Program			Management & General	Total Expenses	2016 Total
	National	Ohio	Total			
Grants	\$ 16,000	\$ 134,333	\$ 150,333	\$ --	\$ 150,333	\$ 159,295
Salaries	129,465	469,804	599,269	100,506	699,775	719,175
Pension plan contributions	12,239	44,413	56,652	9,501	66,153	72,554
Other employee benefits	8,301	31,780	40,081	7,255	47,336	53,620
Payroll taxes	8,363	30,336	38,699	6,487	45,186	50,476
Contracts	--	45,737	45,737	2,325	48,062	61,120
Brokerage fees	--	--	--	479,069	479,069	375,013
Printing and publications	--	1,815	1,815	721	2,536	3,349
Occupancy	62,356	53,331	115,687	48,408	164,095	165,039
Travel	--	27,375	27,375	7,821	35,196	35,008
Legal fees	--	23,967	23,967	20,232	44,199	48,409
Website and IT	--	21,150	21,150	2,452	23,602	16,390
Postage and shipping	603	516	1,119	468	1,587	2,148
Temps/Interns	2,356	2,015	4,371	1,829	6,200	12,390
Miscellaneous	--	5,476	5,476	5,102	10,578	8,054
Insurance	10,156	22,478	32,634	3,206	35,840	35,658
Accounting fees	--	--	--	37,000	37,000	36,163
Other professional fees	1,200	--	1,200	9,803	11,003	2,443
Conferences, conventions, meetings	1,101	875	1,976	61	2,037	4,301
Telephone	2,952	2,525	5,477	2,292	7,769	6,927
Supplies	--	10,264	10,264	7,768	18,032	10,512
Equipment rental and maintenance	--	4,937	4,937	256	5,193	5,743
Depreciation and amortization	162,447	138,935	301,382	126,110	427,492	215,925
Total	\$ 417,539	\$ 1,072,062	\$ 1,489,601	\$ 878,672	\$ 2,368,273	
2016 Total	\$ 485,131	\$ 996,412	\$ 1,481,543	\$ 618,169		\$ 2,099,712

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2017 and 2016
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 1,346,337	\$ 2,234,796
Short-term investments	104,957	24,925
Grants receivable	924,000	441,826
Other assets	<u>2,654</u>	<u>2,918</u>
Total Current Assets	2,377,948	2,704,465
Long-term investments	7,913,540	7,035,554
Furniture and equipment, net of accumulated depreciation of \$29,292 and \$21,481	<u>48,820</u>	<u>56,631</u>
Total Assets	<u>\$ 10,340,308</u>	<u>\$ 9,796,650</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Total Liabilities		
Accounts payable to Fordham Foundation	\$ 182,228	\$ 210,522
Other accounts payable	<u>61,101</u>	<u>99,372</u>
Total Liabilities	243,329	309,894
Net Assets		
Net Assets - Unrestricted	8,610,317	7,745,983
Net Assets - Temporarily Restricted	<u>1,486,662</u>	<u>1,740,773</u>
Total Net Assets	<u>10,096,979</u>	<u>9,486,756</u>
Total Liabilities and Net Assets	<u>\$ 10,340,308</u>	<u>\$ 9,796,650</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 969,600	\$ 625,781
Grants and contributions	1,613,000	378,000
Other income	304	460
Total unrestricted revenue	<u>2,582,904</u>	<u>1,004,241</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,625,706</u>	<u>2,919,363</u>
Total unrestricted support	5,208,610	3,923,604
Expenses		
Program Services		
National	2,601,354	3,062,517
Ohio	1,361,167	1,129,448
Management and general	110,066	103,898
Fund-raising	<u>271,689</u>	<u>259,731</u>
Total Expenses	<u>4,344,276</u>	<u>4,555,594</u>
Change in unrestricted net assets	864,334	(631,990)
Change in temporarily restricted net assets		
Grants and contributions	2,371,595	2,421,648
Net assets released from restriction	<u>(2,625,706)</u>	<u>(2,919,363)</u>
Change in temporarily restricted net assets	<u>(254,111)</u>	<u>(497,715)</u>
Change in net assets	610,223	(1,129,705)
Net assets, beginning of year	<u>9,486,756</u>	<u>10,616,461</u>
Net assets, end of year	<u>\$ 10,096,979</u>	<u>\$ 9,486,756</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)
With Comparative Totals for 2016

	Program			Management & General	Fund- raising	Total Expenses	2016 Total
	National	Ohio	Total				
Grants	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 31,650
Salaries	1,065,039	539,559	1,604,598	29,930	173,403	1,807,931	2,006,866
Pension plan contributions	118,644	64,668	183,312	--	17,270	200,582	210,570
Other employee benefits	108,295	54,863	163,158	3,043	17,632	183,833	196,406
Payroll taxes	70,722	35,828	106,550	1,987	11,515	120,052	131,205
Contracts	680,967	466,218	1,147,185	1,264	428	1,148,877	1,107,258
Brokerage fees	--	--	--	11,582	--	11,582	8,103
Printing and publications	3,835	13,960	17,795	1,948	3,689	23,432	25,820
Occupancy	287,934	75,983	363,917	3,999	31,993	399,909	408,123
Travel	82,729	27,403	110,132	17,480	4,323	131,935	151,781
Legal fees	20,000	5,586	25,586	--	--	25,586	13,838
Website and IT	32,606	5,425	38,031	4,677	--	42,708	64,126
Postage and shipping	2,821	342	3,163	1,696	744	5,603	2,873
Temps/Interns	2,000	--	2,000	--	--	2,000	2,244
Miscellaneous	27,364	31,203	58,567	5,388	795	64,750	21,317
Insurance	25,914	6,838	32,752	360	2,879	35,991	35,849
Other professional fees	905	90	995	5,903	--	6,898	4,715
Conferences, conventions, meetings	7,604	16,761	24,365	3,142	600	28,107	42,408
Telephone	20,663	5,453	26,116	287	2,296	28,699	28,710
Supplies	7,573	6,829	14,402	17,302	151	31,855	22,400
Equipment rental and maintenance	30,115	2,674	32,789	--	3,346	36,135	31,520
Depreciation and amortization	5,624	1,484	7,108	78	625	7,811	7,812
Total	\$ 2,601,354	\$ 1,361,167	\$ 3,962,521	\$ 110,066	\$ 271,689	\$ 4,344,276	
2016 Total	\$ 3,062,517	\$ 1,129,448	\$ 4,191,965	\$ 103,898	\$ 259,731		\$ 4,555,594

See accompanying independent auditor's report.