

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

**Consolidated Financial Statements
For the Years Ended December 31, 2018
and December 31, 2017**

**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, 2018 and 2017, 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3, the consolidated financial statements include investments valued at \$25,581,309 and \$23,079,099 at December 31, 2018 and 2017, respectively (forty-seven and thirty-nine 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. Our opinion is not modified with respect to this matter emphasized.

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 30, 2019

**THE THOMAS B. FORDHAM FOUNDATION, INC. AND
THE THOMAS B. FORDHAM INSTITUTE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,412,296	\$ 1,730,445
Short-term investments	741,593	578,182
Grants receivable	500,000	924,000
Accounts receivable	178,546	85,739
Other assets	<u>15,572</u>	<u>15,572</u>
Total Current Assets	2,848,007	3,333,938
Long-term investments	54,674,727	59,419,194
Building and improvements, net of accumulated depreciation of \$1,216,104 and \$1,717,277	2,396,858	4,596,110
Bond issuance costs, net of accumulated amortization of \$26,484 and \$706	282,845	308,623
Furniture and equipment, net of accumulated depreciation of \$219,732 and \$248,353	12,606	52,146
Assets held for sale	<u>2,600,000</u>	<u>--</u>
Total Assets	<u>\$ 62,815,043</u>	<u>\$ 67,710,011</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 232,864	\$ 246,833
Bonds payable, current portion	<u>322,644</u>	<u>295,757</u>
Total Current Liabilities	555,508	542,590
Obligation due to interest rate swap	1,996,296	2,339,023
Bonds payable, long-term portion	<u>5,807,599</u>	<u>6,130,243</u>
Total Liabilities	8,359,403	9,011,856
Net Assets - Without Donor Restrictions	52,806,796	57,211,493
Net Assets - With Donor Restrictions	<u>1,648,844</u>	<u>1,486,662</u>
Total Net Assets	<u>54,455,640</u>	<u>58,698,155</u>
Total Liabilities and Net Assets	<u>\$ 62,815,043</u>	<u>\$ 67,710,011</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Change in net assets without donor restrictions		
Revenue		
Investment income/(loss), net of investment expenses	\$ (2,731,056)	\$ 7,500,240
Grants and contributions	645,500	1,613,000
Program service fees	706,838	643,444
Other income	2,337	1,032
Total revenue without donor restrictions	<u>(1,376,381)</u>	<u>9,757,716</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,659,418</u>	<u>2,625,706</u>
Total support without donor restrictions	283,037	12,383,422
Expenses		
Program Services		
National	3,080,249	3,018,893
Ohio	1,563,600	2,433,229
Management and general	471,014	498,087
Fund-raising	<u>256,636</u>	<u>271,689</u>
Total Expenses	<u>5,371,499</u>	<u>6,221,898</u>
Change in net assets without donor restrictions before gain on interest rate swap and assets held for sale	(5,088,462)	6,161,524
Gain on interest rate swap	342,727	104,107
Gain on assets held for sale	<u>341,038</u>	<u>--</u>
Total change in net assets without donor restrictions	<u>(4,404,697)</u>	<u>6,265,631</u>
Change in net assets with donor restrictions		
Grants and contributions	1,821,600	2,371,595
Net assets released from restriction	<u>(1,659,418)</u>	<u>(2,625,706)</u>
Change in net assets with donor restrictions	<u>162,182</u>	<u>(254,111)</u>
Change in net assets	(4,242,515)	6,011,520
Net assets, beginning of year	<u>58,698,155</u>	<u>52,686,635</u>
Net assets, end of year	<u>\$ 54,455,640</u>	<u>\$ 58,698,155</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (4,242,515)	\$ 6,011,520
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	166,571	435,303
Realized and unrealized losses/(gains) on investments	3,373,403	(6,552,422)
Gain on interest rate swap	(342,727)	(104,107)
Gain on assets held for sale	(341,038)	--
Changes in assets and liabilities		
Grants receivable	424,000	(482,174)
Accounts receivable	(92,807)	(2,330)
Other assets	--	264
Accounts payable	(13,969)	(29,021)
Net Cash Used in Operating Activities	<u>(1,069,082)</u>	<u>(722,967)</u>
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	(160,963)	(4,400)
Purchase of investments	(9,635,134)	(5,820,321)
Sale of investments	10,842,787	6,143,614
Net Cash Provided by Investing Activities	<u>1,046,690</u>	<u>318,893</u>
Cash Flows from Financing Activities		
Bonds redeemed/Principal payments on bonds	(295,757)	(6,300,000)
Bonds issued	--	6,426,000
Bond issuance costs	--	(309,329)
Net Cash Used in Financing Activities	<u>(295,757)</u>	<u>(183,329)</u>
Net change in Cash	(318,149)	(587,403)
Cash, beginning of year	<u>1,730,445</u>	<u>2,317,848</u>
Cash, end of year	<u>\$ 1,412,296</u>	<u>\$ 1,730,445</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 338,972</u>	<u>\$ 281,984</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 14 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:

net assets without donor restrictions – net assets without donor restrictions result from revenues and other inflows of assets whose use by the Organization is not limited by donor-imposed restrictions.

net assets with donor restrictions - net assets with donor restrictions 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

Cash includes cash in checking accounts. 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 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.

**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>2018</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 20,726,766	\$ 5,155,198	\$ 25,881,964
Fixed income securities	2,301,675	909,779	3,211,454
Other investments	24,929,275	652,034	25,581,309
Money market accounts	703,145	38,448	741,593
Total	<u>\$ 48,660,861</u>	<u>\$ 6,755,459</u>	<u>\$ 55,416,320</u>

<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	2,605,218	1,710,714	4,315,932
Other investments	23,055,776	23,323	23,079,099
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>

Investment income consisted of the following:

<u>2018</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 918,886	\$ 266,806	\$ 1,185,692
Net realized and unrealized losses	(2,353,492)	(1,019,911)	(3,373,403)
Less: Investment expenses	<u>(533,411)</u>	<u>(9,934)</u>	<u>(543,345)</u>
Total	<u>\$ (1,968,017)</u>	<u>\$ (763,039)</u>	<u>\$ (2,731,056)</u>

<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	5,905,679	646,743	6,552,422
Less: Investment expenses	<u>(479,069)</u>	<u>(11,582)</u>	<u>(490,651)</u>
Total	<u>\$ 6,542,222</u>	<u>\$ 958,018</u>	<u>\$ 7,500,240</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>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 25,881,964	\$ --	\$ --	\$ 25,881,964
Fixed income securities	3,211,454	--	--	3,211,454
Other investments	--	--	25,581,309	25,581,309
Money market accounts	741,593	--	--	741,593
Total	<u>\$ 29,835,011</u>	<u>\$ --</u>	<u>\$ 25,581,309</u>	<u>\$ 55,416,320</u>

<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	4,315,932	--	--	4,315,932
Other investments	--	--	23,079,099	23,079,099
Money market accounts	578,182	--	--	578,182
Total	<u>\$ 36,918,277</u>	<u>\$ --</u>	<u>\$ 23,079,099</u>	<u>\$ 59,997,376</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, 2017	\$ 23,079,099
Appreciation in value	923,778
Purchases and sales, net	<u>1,578,432</u>
Value as of December 31, 2018	<u>\$ 25,581,309</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, 2018 and 2017, Grants receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Due in one year or less:		
Louis Calder Foundation	\$ 200,000	\$ --
Kovner Foundation	200,000	--
Strada Education Network	--	100,000
Carnegie Corporation of New York	--	74,000
Schusterman Foundation	100,000	200,000
Gates Foundation	--	550,000
	\$ 500,000	\$ 924,000
Total	\$ 500,000	\$ 924,000

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. In 2018, the Foundation decided to sell one of its floors. Its value and accumulated depreciation are separate from building and improvements and is presented as held for sale as of December 31, 2018.

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

At December 31, 2018 and 2017, building and improvements consisted of the following:

	<u>2018</u>	<u>2017</u>
Building	\$ 1,742,281	\$ 3,453,481
Land	843,776	1,672,500
Capital Improvements	1,026,905	1,187,406
Total, building and improvements	3,612,962	6,313,387
Less: Accumulated amortization and depreciation	(1,216,104)	(1,717,277)
Net, building and improvements	\$ 2,396,858	\$ 4,596,110

Total amortization and depreciation expense was \$132,962 and \$186,487 in 2018 and 2017, 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, 2018 and 2017, furniture and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and Equipment	\$ 232,338	\$ 300,499
Less: Accumulated Depreciation	<u>(219,732)</u>	<u>(248,353)</u>
Total, Furniture and Equipment	<u>\$ 12,606</u>	<u>\$ 52,146</u>

Total depreciation expense was \$4,733 and \$15,736 in 2018 and 2017, 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 THOMAS B. FORDHAM FOUNDATION, INC. AND
THE THOMAS B. FORDHAM INSTITUTE, INC.
Notes to Financial Statements**

7. Bonds Payable and Bond Issuance Costs (continued)

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

2019	322,644
2020	322,644
2021	322,644
2022	322,644
2023 and thereafter	<u>4,839,667</u>

Total	<u>\$ 6,130,243</u>
-------	---------------------

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 \$342,727 in 2018 and a gain of \$104,107 in 2017, respectively. At December 31, 2018 and 2017, the liability associated with the swap agreement was valued at \$1,996,296 and \$2,339,023, 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 2018 and 2017 was \$338,972 and \$281,984, 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, 2018.

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:

2019	61,425
2020	48,526
2021	23,125
2022	<u>14,658</u>

Total	<u>\$ 147,734</u>
-------	-------------------

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

8. Commitments (continued)

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 \$662,396 and \$564,004 in 2018 and 2017, respectively.

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2018, total capital commitments are as follows:

Institute	\$	3,125
Foundation		<u>9,718,347</u>
 Total	 \$	 <u>9,721,472</u>

9. Net Assets with donor restrictions

At December 31, net assets with donor restrictions were available for the following purposes:

	<u>2018</u>		<u>2017</u>
Advanced Placement Book	\$ --	\$	59,624
Catholic Schools and Noncognitive Skills	23,315		64,229
Choice Support	(16,104)		344,891
College Wage Premium	147,862		--
Common Core Commentary	74,000		74,000
Core Knowledge Event	3,577		3,577
CTE Labor Market Demand	110,319		187,598
CTE Commentary	18,433		--
Dayton Area School Reform	20,000		20,000
Discipline Policy – NYC	97,113		206,644
EEPS	18,631		19,015
ELA Curriculum	173,544		--
EOCs Student Accountability	96,475		--
Engage Ohio Consultants	--		19,485
ESSA Commentary	--		300
Gifted Education Policies	11,694		11,694
Grade Inflation	25,594		74,000
High-Achieving Elementary Schools	390,041		--
International Frameworks	40,771		40,771
Knowledge Matters Campaign	60		60
Learning Science Commentary	60,000		--
Leveraging ESSA	16,098		16,098
Ohio Charter Coalition	--		81,780
Ohio Charter School Implementation	5,000		5,000

Continued

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

9. Net Assets with donor restrictions (continued)

Our Ohio Renewal	--	47,389
Ohio Public Conferences	2,294	2,294
Ohio School Choice	117,465	57,329
Ohio School Closures	8,960	8,960
Ohio Speakers	566	566
Ohio Standards Coalition	(8)	56,538
Parent Segmenting	16,623	16,623
Personalized Pacing Commentary	60,000	--
Red Tape, Fear or Fallacy	28,743	28,743
State Pensions	395	395
Stretching the School Dollar II	97,383	--
Success Academy Book	--	<u>39,059</u>
Total	<u>\$ 1,648,844</u>	<u>\$ 1,486,662</u>

10. Conditional Promises to Give

At December 31, 2018 and 2017, the Organization had \$927,500 and \$445,000, respectively, 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 2018 and 2017, contributions to the retirement plan were \$279,334 and \$266,735, respectively.

12. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$59,181 and \$44,198 in fees to this firm in 2018 and 2017, respectively.

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

13. Liquidity

The Organization monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's primary source of liquidity at its disposal consists of cash, short-term investments, receivables, equity securities and fixed income securities.

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash	\$ 1,412,296
Short-term investments	741,593
Grants and accounts receivable	678,546
Equity securities	25,881,964
Fixed income securities	<u>3,211,454</u>
 Total financial assets	 31,925,853
 Less: Accounts payable	 (232,864)
Bonds payable, current portion	<u>(322,644)</u>
 Financial assets available to meet cash needs within one year	 <u>\$31,370,345</u>

14. 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, 2018 and 2017, 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.

15. Reclassifications

Certain amounts in the financial statements for the year ended December 31, 2017 have been reclassified to conform to the presentation in the current year 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 30, 2019, 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

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, 2018
(with comparative totals for 2017)**

	Program			Management & General	Fund- raising	Total Expenses	2017 Total
	<u>National</u>	<u>Ohio</u>	<u>Total</u>				
Grants	\$ 11,395	\$ 125,500	\$ 136,895	\$ 780	\$ --	\$ 137,675	\$ 150,333
Salaries	1,631,378	612,629	2,244,008	105,573	163,433	2,513,015	2,507,706
Pension plan contributions	183,323	65,641	248,963	11,614	18,757	279,334	266,735
Other employee benefits	115,651	87,421	203,072	10,911	6,211	220,194	231,169
Payroll taxes	108,106	40,747	148,853	7,008	10,812	166,673	165,238
Contracts	344,891	274,569	619,459	5,282	--	624,741	1,196,939
Printing and publications	4,978	4,688	9,666	441	4,799	14,907	25,968
Occupancy	417,284	149,536	566,820	56,617	38,959	662,396	564,004
Travel	55,064	39,842	94,907	31,422	3,487	129,815	167,131
Legal fees	5,148	18,316	23,464	64,761	--	88,225	69,785
Website and IT	32,681	31,768	64,448	2,832	1,589	68,869	66,310
Postage and shipping	35	3,108	3,143	1,390	520	5,054	7,190
Temps/Interns	5,585	3,066	8,651	2,783	--	11,434	8,200
Miscellaneous	578	10,135	10,713	9,508	897	21,118	75,328
Insurance	33,144	29,738	62,882	4,809	3,057	70,747	71,831
Accounting fees	--	--	--	37,000	--	37,000	37,000
Other professional fees	--	75	75	21,157	--	21,232	17,901
Conferences, conventions, meetings	19,722	4,180	23,902	16,186	1,800	41,888	30,144
Telephone	17,082	5,514	22,597	1,535	1,709	25,841	36,468
Supplies	4,119	4,836	8,955	16,887	34	25,876	49,887
Equipment rental and maintenance	22,810	645	23,454	15,441	--	38,895	41,328
Depreciation and amortization	67,275	51,646	118,921	47,077	573	166,571	435,303
2018 Total	\$ 3,080,249	\$ 1,563,600	\$ 4,643,849	\$ 471,014	\$ 256,636	\$ 5,371,499	
2017 Total	\$ 3,018,893	\$ 2,433,229	\$ 5,452,122	\$ 498,087	\$ 271,689		\$ 6,221,898

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2018 and 2017
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 302,093	\$ 384,108
Short-term investments	703,145	473,225
Accounts receivable from Fordham Institute	224,723	182,228
Other accounts receivable	178,546	85,739
Other assets	<u>12,918</u>	<u>12,918</u>
Total Current Assets	1,421,425	1,138,218
Long-term investments	47,957,716	51,505,654
Building and improvements, net of accumulated depreciation of \$1,216,104 and \$1,717,277	2,396,858	4,596,110
Bond issuance costs, net of accumulated amortization of \$26,484 and \$706	282,845	308,623
Furniture and equipment, net of accumulated depreciation of \$219,732 and \$219,061	12,606	3,326
Assets held for sale	<u>2,600,000</u>	<u>--</u>
Total Assets	<u>\$ 54,671,450</u>	<u>\$ 57,551,931</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 219,054	\$ 185,732
Bonds payable, current portion	<u>322,644</u>	<u>295,757</u>
Total Current Liabilities	541,698	481,489
Obligation due to interest rate swap	1,996,296	2,339,023
Bonds payable, long-term portion	<u>5,807,599</u>	<u>6,130,243</u>
Total Liabilities	8,345,593	8,950,755
Net Assets - Without Donor Restrictions	<u>46,325,857</u>	<u>48,601,176</u>
Total Net Assets	<u>46,325,857</u>	<u>48,601,176</u>
Total Liabilities and Net Assets	<u>\$ 54,671,450</u>	<u>\$ 57,551,931</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2018</u>	<u>2017</u>
Change in net assets without donor restrictions		
Revenue		
Investment income/(loss), net of investment expenses	\$ (1,968,017)	\$ 6,542,222
Program service fees	706,838	643,444
Other income	<u>78</u>	<u>728</u>
Total revenue without donor restrictions	(1,261,101)	7,186,394
Expenses		
Program Services		
National	604,212	417,539
Ohio	821,070	1,072,062
Management and general	<u>314,361</u>	<u>399,603</u>
Total Expenses	<u>1,739,643</u>	<u>1,889,204</u>
Change in net assets without donor restrictions before gain on interest rate swap and assets held for sale	(3,000,744)	5,297,190
Gain on interest rate swap	342,727	104,107
Gain on assets held for sale	<u>382,698</u>	<u>--</u>
Total change in net assets without donor restrictions	(2,275,319)	5,401,297
Net assets, beginning of year	<u>48,601,176</u>	<u>43,199,879</u>
Net assets, end of year	<u>\$ 46,325,857</u>	<u>\$ 48,601,176</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)
With Comparative Totals for 2017

	Program			Management & General	Total Expenses	2017 Total
	National	Ohio	Total			
Grants	\$ 11,395	\$ 33,500	\$ 44,895	\$ --	\$ 44,895	\$ 150,333
Salaries	326,632	390,484	717,116	42,000	759,116	699,775
Pension plan contributions	33,581	40,146	73,727	4,318	78,045	66,153
Other employee benefits	66,064	78,979	145,043	8,495	153,538	47,336
Payroll taxes	21,792	26,052	47,843	2,802	50,645	45,186
Contracts	--	42,690	42,690	1,162	43,852	48,062
Printing and publications	--	313	313	97	410	2,536
Occupancy	66,657	57,010	123,667	51,747	175,414	164,095
Travel	--	24,790	24,790	18,237	43,027	35,196
Legal fees	2,719	14,287	17,006	63,933	80,939	44,199
Website and IT	518	25,774	26,292	407	26,699	23,602
Postage and shipping	27	3,034	3,061	280	3,341	1,587
Temps/Interns	3,585	3,066	6,651	2,783	9,434	6,200
Miscellaneous	250	3,946	4,196	4,761	8,956	10,578
Insurance	5,634	22,478	28,112	4,427	32,539	35,840
Accounting fees	--	--	--	37,000	37,000	37,000
Other professional fees	--	--	--	16,097	16,097	11,003
Conferences, conventions, meetings	1,537	497	2,034	3,149	5,183	2,037
Telephone	1,702	1,456	3,158	1,321	4,479	7,769
Supplies	--	2,228	2,228	4,504	6,732	18,032
Equipment rental and maintenance	--	57	57	(165)	(108)	5,193
Depreciation and amortization	62,120	50,286	112,405	47,005	159,411	427,492
2018 Total	<u>\$ 604,212</u>	<u>\$ 821,070</u>	<u>\$ 1,425,282</u>	<u>\$ 314,361</u>	<u>\$ 1,739,643</u>	
2017 Total	<u>\$ 417,539</u>	<u>\$ 1,072,062</u>	<u>\$ 1,489,601</u>	<u>\$ 399,603</u>		<u>\$ 1,889,204</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2018 and 2017
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 1,110,203	\$ 1,346,337
Short-term investments	38,448	104,957
Grants receivable	500,000	924,000
Other assets	<u>2,654</u>	<u>2,654</u>
Total Current Assets	1,651,305	2,377,948
Long-term investments	6,717,011	7,913,540
Furniture and equipment, net of accumulated depreciation of \$0 and \$29,292	<u>--</u>	<u>48,820</u>
Total Assets	<u>\$ 8,368,316</u>	<u>\$ 10,340,308</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Total Liabilities		
Accounts payable to Fordham Foundation	\$ 224,723	\$ 182,228
Other accounts payable	<u>13,810</u>	<u>61,101</u>
Total Liabilities	238,533	243,329
Net Assets		
Net Assets - Without Donor Restrictions	6,480,939	8,610,317
Net Assets - With Donor Restrictions	<u>1,648,844</u>	<u>1,486,662</u>
Total Net Assets	<u>8,129,783</u>	<u>10,096,979</u>
Total Liabilities and Net Assets	<u>\$ 8,368,316</u>	<u>\$ 10,340,308</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2018</u>	<u>2017</u>
Change in net assets without donor restrictions		
Revenue		
Investment income/(loss), net of investment expenses	\$ (763,039)	\$ 958,018
Grants and contributions	645,500	1,613,000
Other income	2,259	304
Total revenue without donor restrictions	<u>(115,280)</u>	<u>2,571,322</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,659,418</u>	<u>2,625,706</u>
Total support without donor restrictions	1,544,138	5,197,028
Expenses		
Program Services		
National	2,476,037	2,601,354
Ohio	742,530	1,361,167
Management and general	156,653	98,484
Fund-raising	<u>256,636</u>	<u>271,689</u>
Total Expenses	<u>3,631,856</u>	<u>4,332,694</u>
Change in net assets without donor restrictions before loss assets on held for sale	(2,087,718)	864,334
Loss on assets held for sale	<u>(41,660)</u>	<u>--</u>
Total change in net assets without donor restrictions	<u>(2,129,378)</u>	<u>864,334</u>
Change in net assets with donor restrictions		
Grants and contributions	1,821,600	2,371,595
Net assets released from restriction	<u>(1,659,418)</u>	<u>(2,625,706)</u>
Change in net assets with donor restrictions	<u>162,182</u>	<u>(254,111)</u>
Change in net assets	(1,967,196)	610,223
Net assets, beginning of year	<u>10,096,979</u>	<u>9,486,756</u>
Net assets, end of year	<u>\$ 8,129,783</u>	<u>\$ 10,096,979</u>

See accompanying independent auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)
With Comparative Totals for 2017

	Program			Management & General	Fund- raising	Total Expenses	2017 Total
	National	Ohio	Total				
Grants	\$ --	\$ 92,000	\$ 92,000	\$ 780	\$ --	\$ 92,780	\$ --
Salaries	1,304,746	222,146	1,526,892	63,573	163,433	1,753,899	1,807,931
Pension plan contributions	149,742	25,495	175,236	7,296	18,757	201,289	200,582
Other employee benefits	49,587	8,443	58,029	2,416	6,211	66,657	183,833
Payroll taxes	86,314	14,696	101,010	4,206	10,812	116,028	120,052
Contracts	344,891	231,879	576,769	4,120	--	580,889	1,148,877
Printing and publications	4,978	4,376	9,354	344	4,799	14,497	23,432
Occupancy	350,627	92,527	443,153	4,870	38,959	486,982	399,909
Travel	55,064	15,053	70,117	13,185	3,487	86,788	131,935
Legal fees	2,430	4,029	6,458	828	--	7,286	25,586
Website and IT	32,163	5,994	38,156	2,425	1,589	42,170	42,708
Postage and shipping	9	74	82	1,110	520	1,713	5,603
Temps/Interns	2,000	--	2,000	--	--	2,000	2,000
Miscellaneous	328	6,189	6,518	4,747	897	12,162	64,750
Insurance	27,510	7,260	34,770	382	3,057	38,208	35,991
Other professional fees	--	75	75	5,060	--	5,135	6,898
Conferences, conventions, meetings	18,185	3,682	21,867	13,037	1,800	36,705	28,107
Telephone	15,380	4,059	19,439	214	1,709	21,362	28,699
Supplies	4,119	2,608	6,727	12,383	34	19,144	31,855
Equipment rental and maintenance	22,810	588	23,398	15,605	--	39,003	36,135
Depreciation and amortization	5,155	1,360	6,516	72	573	7,160	7,811
2018 Total	\$ 2,476,037	\$ 742,530	\$ 3,218,567	\$ 156,653	\$ 256,636	\$ 3,631,856	
2017 Total	\$ 2,601,354	\$ 1,361,167	\$ 3,962,521	\$ 98,484	\$ 271,689		\$ 4,332,694

See accompanying independent auditor's report.