

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

Consolidated Financial Statements
For the Years Ended December 31, 2012
and December 31, 2011

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 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, 2012 and 2011, 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 audit. 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

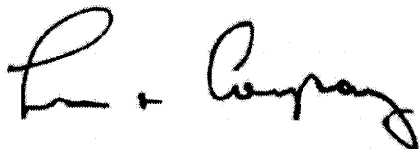
As explained in Note 3, the consolidated financial statements include investments valued at \$28,984,755 and \$27,487,302 at December 31, 2012 and 2011, respectively (sixty and sixty-one percent of net assets, respectively), whose fair values have been estimated by management in the absence of readily 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, 2012 and 2011, 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 23, 2013

THE THOMAS B. FORDHAM FOUNDATION, INC. AND
THE THOMAS B. FORDHAM INSTITUTE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,098,225	\$ 2,466,400
Short-term investments	9,130	7,194
Grants receivable	475,000	335,000
Accounts receivable	69,781	20,968
Other assets	<u>14,796</u>	<u>14,794</u>
Total Current Assets	3,666,932	2,844,356
Grants receivable	250,000	350,000
Long-term investments	47,587,060	44,996,576
Building and improvements, net of accumulated depreciation of \$825,994 and \$657,991	5,249,196	5,417,199
Bond issuance costs, net of accumulated amortization of \$56,297 and \$45,442	267,981	278,836
Furniture and equipment, net of accumulated depreciation of \$130,149 and \$119,689	<u>65,092</u>	<u>21,357</u>
Total Assets	<u>\$ 57,086,261</u>	<u>\$ 53,908,324</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	<u>\$ 52,614</u>	<u>\$ 68,756</u>
Total Current Liabilities	52,614	68,756
Obligation due to interest rate swap	2,641,646	2,733,408
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
Total Liabilities	8,994,260	9,102,164
Net Assets - Unrestricted	45,850,635	42,615,060
Net Assets - Temporarily Restricted	<u>2,241,366</u>	<u>2,191,100</u>
Total Net Assets	<u>48,092,001</u>	<u>44,806,160</u>
Total Liabilities and Net Assets	<u>\$ 57,086,261</u>	<u>\$ 53,908,324</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 4,835,413	\$ 112,153
Grants and contributions	576,981	877,491
Program service fees	303,956	254,557
Other income	<u>18,795</u>	<u>6,107</u>
Total unrestricted revenue	5,735,145	1,250,308
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,162,968</u>	<u>1,682,045</u>
Total unrestricted support	7,898,113	2,932,353
Expenses		
Program Services		
National	2,542,886	2,371,272
Ohio	1,419,853	1,511,285
Management and general	740,483	1,031,944
Fund-raising	<u>51,078</u>	<u>42,440</u>
Total Expenses	4,754,300	4,956,941
Change in unrestricted net assets before loss on interest rate swap	3,143,813	(2,024,588)
Gain/(loss) on interest rate swap	<u>91,762</u>	<u>(1,413,760)</u>
Total change in unrestricted net assets	<u>3,235,575</u>	<u>(3,438,348)</u>
Change in temporarily restricted net assets		
Grants and contributions	2,213,234	2,414,287
Net assets released from restriction	<u>(2,162,968)</u>	<u>(1,682,045)</u>
Change in temporarily restricted net assets	<u>50,266</u>	<u>732,242</u>
Change in net assets	3,285,841	(2,706,106)
Net assets, beginning of year	<u>44,806,160</u>	<u>47,512,266</u>
Net assets, end of year	<u>\$ 48,092,001</u>	<u>\$ 44,806,160</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,285,841	\$ (2,706,106)
Adjustment to reconcile change in net assets to net cash used in by operating activities		
Depreciation and amortization	189,318	184,129
Realized and unrealized (gains)/losses on investments	(4,176,800)	516,129
(Gain)/Loss on interest rate swap	(91,762)	1,413,760
Changes in assets and liabilities		
Accounts receivable	(48,813)	(10,556)
Grants receivable	(40,000)	(285,000)
Other assets	(2)	(1,877)
Accounts payable	<u>(16,142)</u>	<u>21,454</u>
Net Cash Used in Operating Activities	(898,360)	(868,067)
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	54,195	75,609
Purchase of investments	(6,400,096)	(6,969,418)
Sale of investments	<u>7,876,086</u>	<u>8,391,939</u>
Net Cash Provided by Investing Activities	<u>1,530,185</u>	<u>1,498,130</u>
Net change in Cash and Cash Equivalents	631,825	630,063
Cash and Cash Equivalents, beginning of year	<u>2,466,400</u>	<u>1,836,337</u>
Cash and Cash Equivalents, end of year	<u>\$ 3,098,225</u>	<u>\$ 2,466,400</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 279,526</u>	<u>\$ 301,167</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 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;

Continued

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

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. Temporarily restricted net assets whose restrictions are met in the same year are recorded as unrestricted.

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

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. Non-interest bearing accounts at each institution are fully insured by the Federal Deposit Insurance Corporation through December 31, 2012. Interest bearing accounts are insured up to \$250,000.

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.

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>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>

<u>2011</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 11,279,554	\$ 3,808,160	\$ 15,087,714
Bonds	1,079,804	1,341,756	2,421,560
Other investments	27,318,821	168,481	27,487,302
Money market accounts	3,139	4,055	7,194
Total	<u>\$ 39,681,318</u>	<u>\$ 5,322,452</u>	<u>\$ 45,003,770</u>

Investment income consisted of the following:

<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>

<u>2011</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 483,642	\$ 144,640	\$ 628,282
Net realized and unrealized losses	<u>(402,557)</u>	<u>(113,572)</u>	<u>(516,129)</u>
Total	<u>\$ 81,085</u>	<u>\$ 31,068</u>	<u>\$ 112,153</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 (formerly FASB Statement No. 157, Fair Value Measurements), 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>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>

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 15,087,714	\$ --	\$ --	\$ 15,087,714
Bonds	2,421,560	--	--	2,421,560
Other investments	--	--	27,487,302	27,487,302
Money market accounts	7,194	--	--	7,194
Total	<u>\$ 17,516,468</u>	<u>\$ --</u>	<u>\$ 27,487,302</u>	<u>\$ 45,003,770</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, 2011	\$ 27,487,302
Appreciation in value	1,916,547
Purchases and sales, net	<u>(419,094)</u>
Value as of December 31, 2012	<u>\$ 28,984,755</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, 2012 and 2011, Grants receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
Due in one year or less:		
Kovner Foundation	\$ 100,000	\$ --
Stanford University	250,000	200,000
Schwab Foundation	125,000	125,000
ESCCO	--	10,000
Due in two to four years:		
Kovner Foundation	100,000	--
Stanford University	<u>150,000</u>	<u>350,000</u>
Total	<u>\$ 725,000</u>	<u>\$ 685,000</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.

Continued

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, 2012 and 2011, building and improvements consisted of the following:

	<u>2012</u>	<u>2011</u>
Building	\$ 3,453,481	\$ 3,453,481
Land	1,672,500	1,672,500
Capital Improvements	<u>949,209</u>	<u>949,209</u>
Total, building and improvements	6,075,190	6,075,190
Less: Accumulated amortization and depreciation	<u>(825,994)</u>	<u>(657,991)</u>
Net, building and improvements	<u>\$ 5,249,196</u>	<u>\$ 5,417,199</u>

Total amortization and depreciation expense was \$168,003 and \$165,769 in 2012 and 2011, 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, 2012 and 2011, furniture and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Furniture and Equipment	\$ 195,241	\$ 141,046
Less: Accumulated Depreciation	<u>(130,149)</u>	<u>(119,689)</u>
Total, Furniture and Equipment	<u>\$ 65,092</u>	<u>\$ 21,357</u>

Total depreciation expense was \$10,460 and \$7,505 in 2012 and 2011, respectively.

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

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 \$91,762 in 2012 and a loss of \$1,413,760 in 2011. At December 31, 2012 and 2011, the liability associated with the swap agreement was valued at \$2,641,646 and \$2,733,408, 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 2012 and 2011 was \$279,526 and \$301,167, 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, 2012.

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

8. Commitments

The organization leases office space in Dayton and Columbus, Ohio, expiring in 2014 and 2015 respectively.

The organization has operating leases for office equipment expiring in 2013 and 2017.

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

2013	\$ 55,153
2014	52,185
2015	29,068
2016	4,140
2017	<u>4,140</u>
Total	<u>\$ 144,686</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 \$550,417 and \$581,623 in 2012 and 2011, respectively.

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2012, total capital commitments are as follows:

Institute	\$ 3,125
Foundation	<u>8,475,719</u>
Total	<u>\$ 8,478,844</u>

9. Conditional Promises to Give

At December 31, 2012 the Organization had \$1,899,774 of promises to give conditional on the Organization's performance in achieving certain goals.

Continued

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>2012</u>	<u>2011</u>
Governing Common Core	\$ 69,112	\$ --
Implement Common Core	--	365,112
State of State Standards	--	9,617
International Frameworks	40,771	40,771
Common Core Set	504,821	230,542
Ohio Public Conferences	32,766	38,752
Red Tape, Fear or Fallacy	92,750	--
Teacher Unions	13,606	103,051
Pensions	51,711	100,527
Doing More With Less	93,497	43,724
Science Standards	118,566	--
Virtual Schools	--	43,288
High Flyers	--	15,731
Fellows	26,865	29,875
EEPS	23,980	20,783
School Construction	45,776	48,847
Ohio Speakers	3,072	14,498
Ohio Special Education	--	10,000
Parent Segmenting	--	29,150
Ohio Digital Learning Event	3,812	--
Smarick Book	5,313	7,577
Choice Support	604,097	570,170
Ohio Policy	38,077	45,065
Florida Pensions	27,581	52,500
General Operating Support	150,268	98,543
Governance	294,925	234,922
Ohio Charter School Implementation	--	38,055
Total	<u>\$ 2,241,366</u>	<u>\$ 2,191,100</u>

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 2012 and 2011, contributions to the retirement plan were \$185,176 and \$180,711, respectively.

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

12. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$42,091 and \$88,659 in fees to this firm in 2012 and 2011, 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, 2012 and 2011, 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.

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 23, 2013, 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.

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, 2012
(with comparative totals for 2011)

	Program		Management & General	Fund- raising	Total Expenses	2011 Total
	National	Ohio	Total			
Grants	\$ 73,450	\$ 144,747	\$ 218,197	\$ --	\$ 218,197	\$ 259,375
Salaries	867,983	512,674	1,380,657	31,131	1,712,336	1,633,930
Pension plan contributions	93,865	55,442	149,307	3,225	185,175	180,711
Other employee benefits	65,400	38,628	104,028	1,965	129,018	125,440
Payroll taxes	59,221	34,979	94,200	2,024	116,831	107,493
Contracts	615,031	179,805	794,836	--	794,836	889,437
Brokerage fees	61,771	36,485	98,256	47	121,860	50,889
Printing and publications	12,596	7,440	20,036	540	24,849	22,789
Occupancy	279,006	164,795	443,801	2,065	550,417	581,623
Travel	84,423	49,864	134,287	2,168	166,547	200,938
Legal fees	--	--	--	320	45,243	50,786
Website and IT	51,816	30,605	82,421	1,419	102,222	105,749
Postage and shipping	4,921	2,907	7,828	141	9,708	11,396
Temps/Interns	47,012	27,767	74,779	1,542	92,743	87,740
Miscellaneous	15,051	8,890	23,941	391	29,693	43,892
Insurance	30,952	18,282	49,234	603	61,061	64,206
Accounting fees	--	--	--	--	37,700	37,300
Other professional fees	6,813	4,024	10,837	275	13,440	18,572
Conferences, conventions, meetings	22,103	13,055	35,158	940	43,603	70,426
Telephone	18,495	10,925	29,420	865	36,488	39,761
PIE-Net expense	--	--	--	--	--	133,343
Supplies	11,901	7,029	18,930	382	23,478	19,792
Equipment rental and maintenance	25,110	14,831	39,941	1,035	49,536	37,224
Depreciation	95,966	56,679	152,645	--	189,319	184,129
Total	\$ 2,542,886	\$ 1,419,853	\$ 3,962,739	\$ 51,078	\$ 4,754,300	
2011 Total	\$ 2,371,272	\$ 1,511,285	\$ 3,882,557	\$ 42,440	\$ 4,956,941	

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THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2012 and 2011
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 633,353	\$ 250,977
Short-term investments	--	3,139
Accounts receivable from Fordham Institute	214,822	207,591
Other accounts receivable	69,281	20,968
Other assets	<u>14,796</u>	<u>14,794</u>
Total Current Assets	932,252	497,469
Long-term investments	41,820,811	39,678,179
Building and improvements, net of accumulated depreciation of \$825,994 and \$657,991	5,249,196	5,417,199
Bond issuance costs, net of accumulated amortization of \$56,297 and \$45,442	267,981	278,836
Furniture and equipment, net of accumulated depreciation of \$130,149 and \$119,689	<u>65,092</u>	<u>21,357</u>
Total Assets	<u>\$ 48,335,332</u>	<u>\$ 45,893,040</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 52,614	\$ 55,697
Total Current Liabilities	52,614	55,697
Obligation due to interest rate swap	2,641,646	2,733,408
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
Total Liabilities	8,994,260	9,089,105
Net Assets - Unrestricted	<u>39,341,072</u>	<u>36,803,935</u>
Total Net Assets	<u>39,341,072</u>	<u>36,803,935</u>
Total Liabilities and Net Assets	<u>\$ 48,335,332</u>	<u>\$ 45,893,040</u>

See auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2012 and 2011
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 4,248,259	\$ 81,085
Grants and contributions	--	25,000
Program service fees	303,956	254,557
Other income	14,333	6,107
Total unrestricted revenue	<u>4,566,548</u>	<u>366,749</u>
Expenses		
Program Services		
National	979,954	917,067
Ohio	703,015	844,562
Management and general	<u>438,204</u>	<u>726,534</u>
Total Expenses	<u>2,121,173</u>	<u>2,488,163</u>
Change in unrestricted net assets before gain/(loss) on interest rate swap	2,445,375	(2,121,414)
Gain/(loss) on interest rate swap	<u>91,762</u>	<u>(1,413,760)</u>
Total change in unrestricted net assets	2,537,137	(3,535,174)
Net assets, beginning of year	<u>36,803,935</u>	<u>40,339,109</u>
Net assets, end of year	<u>\$ 39,341,072</u>	<u>\$ 36,803,935</u>

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THE THOMAS B. FORDHAM FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)
With Comparative Totals for 2011

	Program		Management & General	Total Expenses	2011 Total
	National	Ohio	Total		
Grants	\$ 36,725	\$ 139,972	\$ 176,697	\$ 176,697	\$ 247,375
Salaries	304,392	179,789	484,181	600,497	858,767
Pension plan contributions	35,469	20,950	56,419	69,973	96,246
Other employee benefits	29,790	17,595	47,385	58,768	66,304
Payroll taxes	22,619	13,360	35,979	44,623	57,985
Contracts	7,740	10,500	18,240	18,240	48,148
Brokerage fees	60,917	35,981	96,898	120,176	48,139
Printing and publications	2,818	1,665	4,483	5,560	11,574
Occupancy	241,629	142,718	384,347	476,680	506,440
Travel	45,169	26,679	71,848	89,108	83,965
Legal fees	--	--	43,027	43,027	46,833
Website and IT	26,132	15,435	41,567	51,553	41,953
Postage and shipping	2,362	1,395	3,757	4,659	6,198
Temps/Interns	19,088	11,274	30,362	37,656	40,248
Miscellaneous	7,993	4,721	12,714	15,768	14,909
Insurance	20,025	11,828	31,853	39,505	41,167
Accounting fees	--	--	37,700	37,700	18,650
Other professional fees	1,832	1,082	2,914	3,614	2,750
Conferences, conventions, meetings	5,078	2,999	8,077	10,017	2,742
Telephone	2,842	1,679	4,521	5,607	25,651
Supplies	4,993	2,949	7,942	9,850	9,916
Equipment rental and maintenance	6,375	3,765	10,140	12,576	28,074
Depreciation	95,966	56,679	152,645	189,319	184,129
Total	\$ 979,954	\$ 703,015	\$ 1,682,969	\$ 2,121,173	
2011 Total	\$ 917,067	\$ 844,562	\$ 1,761,629	\$ 726,534	\$ 2,488,163

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THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FINANCIAL POSITION
December 31, 2012 and 2011
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,464,872	\$ 2,215,423
Short-term investments	9,130	4,055
Grants receivable	475,000	335,000
Other receivables	<u>500</u>	<u>--</u>
Total Current Assets	2,949,502	2,554,478
Grants Receivable	250,000	350,000
Long-term investments	<u>5,766,249</u>	<u>5,318,397</u>
Total Assets	<u>\$ 8,965,751</u>	<u>\$ 8,222,875</u>
<u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities		
Accounts payable to Fordham Foundation	\$ 214,822	\$ 207,591
Other accounts payable	<u>--</u>	<u>13,059</u>
Total Liabilities	214,822	220,650
Net Assets		
Net Assets - Unrestricted	6,509,563	5,811,125
Net Assets - Temporarily Restricted	<u>2,241,366</u>	<u>2,191,100</u>
Total Net Assets	<u>8,750,929</u>	<u>8,002,225</u>
Total Liabilities and Net Assets	<u>\$ 8,965,751</u>	<u>\$ 8,222,875</u>

See auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF ACTIVITIES
For the Years Ended December 31, 2012 and 2011
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2012</u>	<u>2011</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 587,154	\$ 31,068
Grants and contributions	576,981	852,491
Other income	4,462	--
Total unrestricted revenue	<u>1,168,597</u>	<u>883,559</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>2,162,968</u>	<u>1,682,045</u>
Total unrestricted support	<u>3,331,565</u>	<u>2,565,604</u>
Expenses		
Program Services		
National	1,562,932	1,454,205
Ohio	716,838	666,723
Management and general	302,279	305,410
Fund-raising	<u>51,078</u>	<u>42,440</u>
Total Expenses	<u>2,633,127</u>	<u>2,468,778</u>
Change in unrestricted net assets	698,438	96,826
Change in temporarily restricted net assets		
Grants and contributions	2,213,234	2,414,287
Net assets released from restriction	<u>(2,162,968)</u>	<u>(1,682,045)</u>
Change in temporarily restricted net assets	<u>50,266</u>	<u>732,242</u>
Change in net assets	748,704	829,068
Net assets, beginning of year	<u>8,002,225</u>	<u>7,173,157</u>
Net assets, end of year	<u>\$ 8,750,929</u>	<u>\$ 8,002,225</u>

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THE THOMAS B. FORDHAM INSTITUTE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)
With Comparative Totals for 2011

	Program		Management & General		Fund- raising		Total Expenses		2011 Total
	National	Ohio	Total						
Grants	\$ 36,725	\$ 4,775	\$ 41,500	\$ --	\$ --	\$ 41,500	\$	\$ 12,000	
Salaries	563,591	332,885	896,476	184,232	31,131	1,111,839		775,163	
Pension plan contributions	58,396	34,492	92,888	19,089	3,225	115,202		84,465	
Other employee benefits	35,610	21,033	56,643	11,642	1,965	70,250		59,136	
Payroll taxes	36,602	21,619	58,221	11,963	2,024	72,208		49,508	
Contracts	607,291	169,305	776,596	--	--	776,596		841,289	
Brokerage fees	854	504	1,358	279	47	1,684		2,750	
Printing and publications	9,778	5,775	15,553	3,196	540	19,289		11,215	
Occupancy	37,377	22,077	59,454	12,218	2,065	73,737		75,183	
Travel	39,254	23,185	62,439	12,832	2,168	77,439		116,973	
Legal fees	--	--	--	1,896	320	2,216		3,953	
Website and IT	25,684	15,170	40,854	8,396	1,419	50,669		63,796	
Postage and shipping	2,559	1,512	4,071	837	141	5,049		5,198	
Temps/Interns	27,924	16,493	44,417	9,128	1,542	55,087		47,492	
Miscellaneous	7,058	4,169	11,227	2,307	391	13,925		28,983	
Insurance	10,927	6,454	17,381	3,572	603	21,556		23,039	
Accounting fees	--	--	--	--	--	--		18,650	
Other professional fees	4,981	2,942	7,923	1,628	275	9,826		15,822	
Conferences, conventions, meetings	17,025	10,056	27,081	5,565	940	33,586		67,684	
Telephone	15,653	9,246	24,899	5,117	865	30,881		14,110	
PIE Net expense	--	--	--	--	--	--		133,343	
Supplies	6,908	4,080	10,988	2,258	382	13,628		9,876	
Equipment rental and maintenance	18,735	11,066	29,801	6,124	1,035	36,960		9,150	
Total	\$ 1,562,932	\$ 716,838	\$ 2,279,770	\$ 302,279	\$ 51,078	\$ 2,633,127			
2011 Total	\$ 1,454,205	\$ 666,723	\$ 2,120,928	\$ 305,410	\$ 42,440	\$ 2,468,778			

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