

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

---

Combined Financial Statements  
For the Years Ended December 31, 2011  
and December 31, 2010

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.

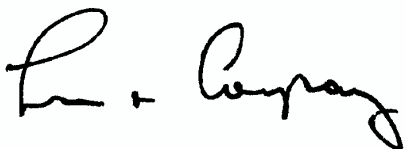
We have audited the accompanying combined statements of financial position of The Thomas B. Fordham Foundation, Inc. (the Foundation), an Ohio not-for-profit supporting organization, and The Thomas B. Fordham Institute, Inc. (the Institute), an Ohio publicly supported not-for-profit corporation (together, the Organization), as of December 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 3, the combined financial statements include investments valued at \$27,487,302 and \$24,754,875 at December 31, 2011 and 2010, respectively (sixty-one and fifty-two 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combined 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements taken 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 27, 2012

THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
COMBINED STATEMENTS OF FINANCIAL POSITION  
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,466,400	\$ 1,836,337
Short-term investments	7,194	10,854
Grants receivable	335,000	400,000
Accounts receivable	20,968	10,412
Other assets	<u>14,794</u>	<u>12,918</u>
 Total Current Assets	 2,844,356	 2,270,521
 Grants receivable	 350,000	 --
Long-term investments	44,996,576	47,042,818
Building and improvements, net of accumulated depreciation of \$657,991 and 492,222	5,417,199	5,507,359
Bond issuance costs, net of accumulated amortization of \$45,442 and \$34,587	278,836	289,691
Furniture and equipment, net of accumulated depreciation of \$119,689 and \$112,184	<u>21,357</u>	<u>28,862</u>
 Total Assets	 <u>\$ 53,908,324</u>	 <u>\$ 55,139,251</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	<u>\$ 68,756</u>	<u>\$ 7,337</u>
 Total Current Liabilities	 68,756	 7,337
 Obligation due to interest rate swap	 2,733,408	 1,319,648
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
 Total Liabilities	 9,102,164	 7,626,985
Net Assets - Unrestricted	42,615,060	46,067,490
Net Assets - Temporarily Restricted	<u>2,191,100</u>	<u>1,444,776</u>
 Total Net Assets	 <u>44,806,160</u>	 <u>47,512,266</u>
 Total Liabilities and Net Assets	 <u>\$ 53,908,324</u>	 <u>\$ 55,139,251</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.  
COMBINED STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 112,153	\$ 5,837,668
Grants and contributions	877,491	643,317
Program service fees	254,557	155,863
Other income	6,107	4,139
Total unrestricted revenue	<u>1,250,308</u>	<u>6,640,987</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,682,045</u>	<u>2,060,497</u>
Total unrestricted support	<u>2,932,353</u>	<u>8,701,484</u>
Expenses		
Program Services		
National	2,371,272	2,363,444
Ohio	1,511,285	1,309,635
Management and general	1,031,944	1,324,617
Fund-raising	42,440	57,104
Total Expenses	<u>4,956,941</u>	<u>5,054,800</u>
Change in unrestricted net assets before loss on interest rate swap	(2,024,588)	3,646,684
Loss on interest rate swap	<u>(1,413,760)</u>	<u>(327,380)</u>
Total change in unrestricted net assets	<u>(3,438,348)</u>	<u>3,319,304</u>
Change in temporarily restricted net assets		
Grants and contributions	2,414,287	2,037,472
Net assets released from restriction	<u>(1,682,045)</u>	<u>(2,060,497)</u>
Change in temporarily restricted net assets	<u>732,242</u>	<u>(23,025)</u>
Change in net assets	(2,706,106)	3,296,279
Net assets, beginning of year	<u>47,512,266</u>	<u>44,215,987</u>
Net assets, end of year	<u>\$ 44,806,160</u>	<u>\$ 47,512,266</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.  
COMBINED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,706,106)	\$ 3,296,279
Adjustment to reconcile change in net assets to net cash used in by operating activities		
Depreciation and amortization	184,129	188,092
Realized and unrealized (gains)/losses on investments	516,129	(4,964,585)
Loss on interest rate swap	1,413,760	327,380
Changes in assets and liabilities		
Accounts receivable	(10,556)	(1,564)
Grants receivable	(285,000)	300,000
Other assets	(1,877)	1,776
Accounts payable	<u>21,454</u>	<u>(39,965)</u>
Net Cash Used in Operating Activities	(868,067)	(892,587)
Cash Flows from Investing Activities		
Acquisition of fixed assets and capital improvements	75,609	30,300
Purchase of investments	(6,969,418)	(6,674,015)
Sale of investments	<u>8,391,939</u>	<u>7,776,034</u>
Net Cash Provided by Investing Activities	<u>1,498,130</u>	<u>1,132,319</u>
Net change in Cash and Cash Equivalents	630,063	239,732
Cash and Cash Equivalents, beginning of year	<u>1,836,337</u>	<u>1,596,605</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,466,400</u>	<u>\$ 1,836,337</u>
Supplemental disclosure		
Amounts expended for interest	<u>\$ 301,167</u>	<u>\$ 286,875</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 combined financial statements include the accounts of the Foundation and the Institute (together, the Organization). All significant inter-company transactions have been eliminated in the combination. 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.

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)

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 by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's uninsured cash balances totaled \$2,070,231 and \$1,290,067 at December 31, 2011 and 2010, respectively.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of 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 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.

Continued

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>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>

<u>2010</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Equity securities	\$ 15,843,450	\$ 3,849,589	\$ 19,693,039
Bonds	1,207,175	1,387,729	2,594,904
Other investments	24,603,989	150,886	24,754,875
Money market accounts	9,392	1,462	10,854
Total	<u>\$ 41,664,006</u>	<u>\$ 5,389,666</u>	<u>\$ 47,053,672</u>

Investment income consisted of the following:

<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 gains	<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>

<u>2010</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>
Dividends and interest	\$ 712,187	\$ 160,896	\$ 873,083
Net realized and unrealized gains	<u>4,583,705</u>	<u>380,880</u>	<u>4,964,585</u>
Total	<u>\$ 5,295,892</u>	<u>\$ 541,776</u>	<u>\$ 5,837,668</u>

Continued

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

---

4. Fair Value Measurement

The Organization implemented FASB Statement No. 157, Fair Value Measurements (FAS 157), as of January 1, 2008. Implementation of FAS 157 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, FAS 157 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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2011	\$ 17,516,468	\$ --	\$ 27,487,302
2010	\$ 22,298,797	\$ --	\$ 24,754,875

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, 2010	\$ 24,754,875
Change in value	1,253,405
Purchases and sales, net	<u>1,479,022</u>
Value as of December 31, 2011	<u>\$ 27,487,302</u>

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

Continued

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

---

5. Grants Receivable

At December 31, 2011 and 2010, Grants receivable consisted of the following:

	<u>2011</u>	<u>2010</u>
Due in one year or less:		
Calder Foundation	\$ --	\$ 200,000
Stanford University	200,000	150,000
Schwab Foundation	125,000	50,000
ESCCO	10,000	--
Due in two to four years:		
Stanford University	<u>350,000</u>	<u>--</u>
 Total	 <u>\$ 685,000</u>	 <u>\$ 400,000</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.

At December 31, 2011 and 2010, building and improvements consisted of the following:

	<u>2011</u>	<u>2010</u>
Building	\$ 3,453,481	\$ 3,453,481
Land	1,672,500	1,672,500
Capital Improvements	<u>949,209</u>	<u>873,600</u>
 Total, building and improvements	 6,075,190	 5,999,581
 Less: Accumulated amortization and depreciation	 <u>(657,991)</u>	 <u>(492,222)</u>
 Net, building and improvements	 <u>\$ 5,417,199</u>	 <u>\$ 5,507,359</u>

Total amortization and depreciation expense was \$165,769 and \$164,200 in 2011 and 2010, respectively.

Continued

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, 2011 and 2010, furniture and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Furniture and Equipment	\$ 141,046	\$ 141,046
Less: Accumulated Depreciation	<u>(119,689)</u>	<u>(112,184)</u>
Total, Furniture and Equipment	<u>\$ 21,357</u>	<u>\$ 28,862</u>

Total depreciation expense was \$7,505 and \$13,038 in 2011 and 2010, respectively.

7. Bonds Payable and Bond Issuance Costs

The Foundation participated in the District of Columbia's tax-exempt bond program to help with the financing of its building purchase. The amount financed 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 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 loss of \$1,413,760 in 2011 and \$327,380 in 2010. At December 31, 2011 the liability associated with the swap agreement was valued at \$2,733,408. 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.

Continued

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 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 2011 and 2010 was \$301,167 and \$286,875, 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, 2011.

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 2015.

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

2012	\$ 55,186
2013	53,551
2014	48,045
2015	<u>24,928</u>
Total	<u>\$ 181,710</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 \$581,624 and \$557,592 in 2011 and 2010, respectively.

Continued

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

8. Commitments (continued)

The organization has capital call commitments in connection to their alternative investments. As of December 31, 2011, total capital commitments are as follows:

Institute	\$	6,250
Foundation		<u>11,315,969</u>
 Total		 <u>\$ 11,322,219</u>

9. Temporarily Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Standards Governance	\$ --	\$ 332,642
Implement Common Core	365,112	--
PIE-NET	--	183,687
Smart Thinking	--	148,701
State of State Standards	9,617	118,206
International Framework	40,771	84,817
Common Core Set	230,542	83,250
Ohio Public Conferences	38,752	75,000
Thought Partner	--	71,116
Teacher Unions	103,051	66,685
Pensions	100,527	57,530
Doing More	43,724	49,347
Bottom of the Barrel	--	36,949
Virtual Schools	43,288	33,239
High Flyers	15,731	31,113
Fellows	29,875	22,875
EEPS	20,783	22,433
School Construction	48,847	--
Ohio Speakers	14,498	--
Ohio Special Education	10,000	--
Parent Segmenting	29,150	--
Elite Schools	--	19,609
Smarick Book	7,577	7,576
Choice Support	570,170	--
Ohio Policy	45,065	--
Florida Pensions	52,500	--
General Operating Support	98,543	--
Governance	234,922	--
Ohio Charter School Implementation	<u>38,055</u>	<u>--</u>
 Total	 <u>\$ 2,191,100</u>	 <u>\$ 1,444,776</u>

Continued

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, 2011 the Organization had \$1,814,417 of promises to give conditional on the Organization's performance in achieving certain goals.

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 2011 and 2010, contributions to the retirement plan were \$180,712 and \$166,373, respectively.

12. Related Parties

The Organization retains a law firm affiliated with a member of the Organization's Board of Trustees. The Organization paid \$88,659 and \$94,414 in fees to this firm in 2011 and 2010, 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, 2011 and 2010, no provision for income taxes was made as the Organization had no net unrelated business income.

In June 2006, the Financial Accounting Standards Board (FASB) released ASC 740-10 (formerly FIN 48), Income Taxes, that provides guidance for reporting uncertainty in income taxes. The Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Continued



THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
Notes to 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. At the end of this period, the Foundation will have 90 days to provide the IRS with sufficient information to determine if it qualifies for status as a Section 509(a)(3) supporting organization.

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 27, 2012, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

Continued

## **OTHER FINANCIAL INFORMATION**

THE THOMAS B. FORDHAM FOUNDATION, INC. AND  
THE THOMAS B. FORDHAM INSTITUTE, INC.  
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011  
(with comparative totals for 2010)

	Program			Management & General	Fund- raising	Total Expenses	2010 Total
	<u>National</u>	<u>Ohio</u>	<u>Total</u>				
Grants	\$ 86,825	\$ 172,550	\$ 259,375	\$ --	\$ --	\$ 259,375	\$ 328,888
Salaries	696,981	565,704	1,262,685	348,766	22,479	1,633,930	1,610,077
Pension plan contributions	77,089	62,567	139,656	38,606	2,449	180,711	166,373
Other employee benefits	53,510	43,430	96,940	26,785	1,715	125,440	117,255
Payroll taxes	45,857	37,217	83,074	22,983	1,436	107,493	107,119
Contracts	702,043	187,394	889,437	-	--	889,437	1,018,746
Brokerage fees	--	--	--	50,809	80	50,889	33,621
Printing and publications	9,720	7,890	17,610	4,854	325	22,789	20,445
Occupancy	248,726	201,371	450,097	129,346	2,180	581,623	557,592
Travel	106,385	40,060	146,445	51,101	3,392	200,938	196,584
Legal fees	--	23,612	23,612	27,059	115	50,786	136,689
Website and IT	45,067	36,613	81,680	22,219	1,850	105,749	84,674
Postage and shipping	4,862	3,945	8,807	2,438	151	11,396	19,030
Temps/Interns	37,409	30,378	67,787	18,576	1,377	87,740	66,398
Miscellaneous	15,881	12,914	28,795	14,256	841	43,892	80,107
Insurance	27,411	22,230	49,641	13,897	668	64,206	54,668
Accounting fees	--	--	--	37,300	--	37,300	42,593
Other professional fees	7,900	6,430	14,330	3,783	459	18,572	25,124
Conferences, conventions, meetings	30,940	23,474	54,414	14,049	1,963	70,426	77,039
Telephone	16,976	13,766	30,742	8,610	409	39,761	44,151
PIE-Net expense	133,343	--	133,343	-	--	133,343	--
Supplies	8,442	6,852	15,294	4,212	286	19,792	25,689
Equipment rental and maintenance	15,905	12,888	28,793	8,166	265	37,224	53,845
Depreciation	--	--	--	184,129	--	184,129	188,093
<b>Total</b>	<b>\$ 2,371,272</b>	<b>\$ 1,511,285</b>	<b>\$ 3,882,557</b>	<b>\$ 1,031,944</b>	<b>\$ 42,440</b>	<b>\$ 4,956,941</b>	
<b>2010 Total</b>	<b>\$ 2,363,444</b>	<b>\$ 1,309,635</b>	<b>\$ 3,673,079</b>	<b>\$ 1,324,617</b>	<b>\$ 57,104</b>		<b>\$ 5,054,800</b>

See auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
SCHEDULE OF FINANCIAL POSITION  
December 31, 2011 and 2010  
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 250,977	\$ 341,591
Short-term investments	3,139	9,392
Accounts receivable from Fordham Institute	207,591	109,541
Other accounts receivable	20,968	10,412
Other assets	<u>14,794</u>	<u>12,918</u>
 Total Current Assets	 497,469	 483,854
Long-term investments	39,678,179	41,654,614
Building and improvements, net of accumulated depreciation of \$657,991 and \$492,222	5,417,199	5,507,359
Bond issuance costs, net of accumulated amortization of \$45,442 and \$34,587	278,836	289,691
Furniture and equipment, net of accumulated depreciation of \$119,689 and \$112,184	<u>21,357</u>	<u>28,862</u>
 Total Assets	 <u>\$ 45,893,040</u>	 <u>\$ 47,964,380</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	<u>\$ 55,697</u>	<u>\$ 5,623</u>
 Total Current Liabilities	 55,697	 5,623
Obligation due to interest rate swap	2,733,408	1,319,648
Bonds payable	<u>6,300,000</u>	<u>6,300,000</u>
 Total Liabilities	 9,089,105	 7,625,271
 Net Assets - Unrestricted	 <u>36,803,935</u>	 <u>40,339,109</u>
 Total Net Assets	 <u>36,803,935</u>	 <u>40,339,109</u>
 Total Liabilities and Net Assets	 <u>\$ 45,893,040</u>	 <u>\$ 47,964,380</u>

See auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
SCHEDULE OF ACTIVITIES  
For the Years Ended December 31, 2011 and 2010  
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 81,085	\$ 5,295,892
Grants and contributions	25,000	365,067
Program service fees	254,557	155,863
Other income	<u>6,107</u>	<u>4,139</u>
Total unrestricted revenue	366,749	5,820,961
Expenses		
Program Services		
National	917,067	855,249
Ohio	844,562	811,533
Management and general	<u>726,534</u>	<u>938,027</u>
Total Expenses	<u>2,488,163</u>	<u>2,604,809</u>
Change in unrestricted net assets before loss on interest rate swap	(2,121,414)	3,207,152
Loss on interest rate swap	<u>(1,413,760)</u>	<u>(327,380)</u>
Total change in unrestricted net assets	(3,535,174)	2,879,772
Net assets, beginning of year	<u>40,339,109</u>	<u>37,459,337</u>
Net assets, end of year	<u>\$ 36,803,935</u>	<u>\$ 40,339,109</u>

See auditor's report.

THE THOMAS B. FORDHAM FOUNDATION, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011  
(EXCLUDING THE THOMAS B. FORDHAM INSTITUTE, INC.)  
With Comparative Totals for 2010

	Program			Management & General	Total Expenses	2010 Total
	National	Ohio	Total			
Grants	\$ 86,825	\$ 160,550	\$ 247,375	\$ --	\$ 247,375	\$ 287,706
Salaries	367,589	297,325	664,914	193,853	858,767	887,731
Pension plan contributions	41,197	33,323	74,520	21,726	96,246	94,404
Other employee benefits	28,381	22,956	51,337	14,967	66,304	66,442
Payroll taxes	24,820	20,076	44,896	13,089	57,985	59,880
Contracts	42,708	5,440	48,148	--	48,148	34,917
Brokerage fees	--	--	--	48,139	48,139	20,988
Printing and publications	4,954	4,007	8,961	2,613	11,574	9,880
Occupancy	216,778	175,341	392,119	114,321	506,440	485,277
Travel	13,568	31,612	45,180	38,785	83,965	67,822
Legal fees	--	22,659	22,659	24,174	46,833	130,933
Website and IT	17,958	14,525	32,483	9,470	41,953	49,768
Postage and shipping	2,653	2,146	4,799	1,399	6,198	12,552
Temps/Interns	17,228	13,935	31,163	9,085	40,248	33,078
Miscellaneous	4,189	3,388	7,577	7,332	14,909	31,154
Insurance	17,621	14,253	31,874	9,293	41,167	30,665
Accounting fees	--	--	--	18,650	18,650	23,500
Other professional fees	1,177	952	2,129	621	2,750	3,433
Conferences, conventions, meetings	2,179	40	2,219	523	2,742	9,540
Telephone	10,980	8,881	19,861	5,790	25,651	23,474
Supplies	4,245	3,433	7,678	2,238	9,916	15,979
Equipment rental and maintenance	12,017	9,720	21,737	6,337	28,074	37,593
Depreciation	--	--	--	184,129	184,129	188,093
Total	<u>\$ 917,067</u>	<u>\$ 844,562</u>	<u>\$ 1,761,629</u>	<u>\$ 726,534</u>	<u>\$ 2,488,163</u>	
2010 Total	<u>\$ 855,249</u>	<u>\$ 811,533</u>	<u>\$ 1,666,782</u>	<u>\$ 938,027</u>		<u>\$ 2,604,809</u>

See auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF FINANCIAL POSITION  
December 31, 2011 and 2010  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,215,423	\$ 1,494,746
Short-term investments	4,055	1,462
Grants receivable	335,000	400,000
	<hr/>	<hr/>
Total Current Assets	2,554,478	1,896,208
Grants Receivable	350,000	--
Long-term investments	5,318,397	5,388,204
	<hr/>	<hr/>
Total Assets	<u>\$ 8,222,875</u>	<u>\$ 7,284,412</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities		
Accounts payable to Fordham Foundation	\$ 207,591	\$ 109,541
Other accounts payable	13,059	1,714
	<hr/>	<hr/>
Total Liabilities	220,650	111,255
Net Assets		
Net Assets - Unrestricted	5,811,125	5,728,381
Net Assets - Temporarily Restricted	2,191,100	1,444,776
	<hr/>	<hr/>
Total Net Assets	8,002,225	7,173,157
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 8,222,875</u>	<u>\$ 7,284,412</u>

See auditor's report.

THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF ACTIVITIES  
For the Years Ended December 31, 2011 and 2010  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets		
Revenue		
Investment income	\$ 31,068	\$ 541,776
Grants and contributions	852,491	618,318
Total unrestricted revenue	883,559	1,160,094
Net assets released from restrictions		
Satisfaction of program restrictions	1,682,045	2,060,497
Total unrestricted support	2,565,604	3,220,591
Expenses		
Program Services		
National	1,454,205	1,508,195
Ohio	666,723	829,170
Management and general	305,410	386,590
Fund-raising	42,440	57,104
Total Expenses	2,468,778	2,781,059
Change in unrestricted net assets	96,826	439,532
Change in temporarily restricted net assets		
Grants and contributions	2,414,287	2,037,472
Net assets released from restriction	(1,682,045)	(2,060,497)
Change in temporarily restricted net assets	732,242	(23,025)
Change in net assets	829,068	416,507
Net assets, beginning of year	7,173,157	6,756,650
Net assets, end of year	\$ 8,002,225	\$ 7,173,157

See auditor's report.



THE THOMAS B. FORDHAM INSTITUTE, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011  
(EXCLUDING THE THOMAS B. FORDHAM FOUNDATION, INC.)  
With Comparative Totals for 2010

	Program			Management & General	Fund- raising	Total Expenses	2010 Total
	National	Ohio	Total				
Grants	\$ --	\$ 12,000	\$ 12,000	\$ --	\$ --	\$ 12,000	\$ 372,250
Salaries	329,392	268,379	597,771	154,913	22,479	775,163	722,346
Pension plan contributions	35,892	29,244	65,136	16,880	2,449	84,465	71,969
Other employee benefits	25,129	20,474	45,603	11,818	1,715	59,136	50,813
Payroll taxes	21,037	17,141	38,178	9,894	1,436	49,508	47,239
Contracts	659,335	181,954	841,289	--	--	841,289	983,829
Brokerage fees	--	--	--	2,670	80	2,750	12,633
Printing and publications	4,766	3,883	8,649	2,241	325	11,215	10,565
Occupancy	31,948	26,030	57,978	15,025	2,180	75,183	72,315
Travel	92,817	8,448	101,265	12,316	3,392	116,973	128,762
Legal fees	--	953	953	2,885	115	3,953	5,756
Website and IT	27,109	22,088	49,197	12,749	1,850	63,796	34,906
Postage and shipping	2,209	1,799	4,008	1,039	151	5,198	6,478
Temps/Interns	20,181	16,443	36,624	9,491	1,377	47,492	33,320
Miscellaneous	11,692	9,526	21,218	6,924	841	28,983	48,953
Insurance	9,790	7,977	17,767	4,604	668	23,039	24,003
Accounting fees	--	--	--	18,650	--	18,650	19,093
Other professional fees	6,723	5,478	12,201	3,162	459	15,822	21,691
Conferences, conventions, meetings	28,761	23,434	52,195	13,526	1,963	67,684	67,499
Telephone	5,996	4,885	10,881	2,820	409	14,110	20,677
PIE Net expense	133,343	--	133,343	--	--	133,343	--
Supplies	4,197	3,419	7,616	1,974	286	9,876	9,710
Equipment rental and maintenance	3,888	3,168	7,056	1,829	265	9,150	16,252
<b>Total</b>	<b>\$ 1,454,205</b>	<b>\$ 666,723</b>	<b>\$ 2,120,928</b>	<b>\$ 305,410</b>	<b>\$ 42,440</b>	<b>\$ 2,468,778</b>	
<b>2010 Total</b>	<b>\$ 1,508,195</b>	<b>\$ 829,170</b>	<b>\$ 2,337,365</b>	<b>\$ 386,590</b>	<b>\$ 57,104</b>		<b>\$ 2,781,059</b>

See auditor's report.