

**The Springfield Foundation
Financial Statements
December 31, 2009 and 2008**

**THE SPRINGFIELD FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Springfield Foundation
Springfield, Ohio

We have audited the accompanying statements of financial position of The Springfield Foundation (a not-for-profit organization) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, and statements of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Springfield Foundation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, LTD
March 1, 2010

**THE SPRINGFIELD FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and equivalents | | |
| Cash | \$ 1,176,710 | \$ 1,350,265 |
| Money market funds | <u>6,821,114</u> | <u>2,471,065</u> |
| Total cash and equivalents | 7,997,824 | 3,821,330 |
| Receivables | 5,062 | 5,231 |
| Prepaid expenses | 9,121 | 9,944 |
| Investments | | |
| Investments | 30,184,030 | 29,812,810 |
| Insurance policies | 115,652 | 96,069 |
| Healthy City LLC | <u>400,000</u> | <u>400,000</u> |
| Total investments | 30,699,682 | 30,308,879 |
| Fixed Assets | | |
| Office equipment, net of depreciation | 7,685 | 11,237 |
| Leasehold improvements, net of amortization | <u>11,794</u> | <u>13,520</u> |
| Total fixed assets | <u>19,479</u> | <u>24,757</u> |
| TOTAL ASSETS | <u><u>\$ 38,731,168</u></u> | <u><u>\$ 34,170,141</u></u> |

The accompanying notes are an integral part of the financial statements

**THE SPRINGFIELD FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|--|-----------------------------|-----------------------------|
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Grants payable | \$ 222,431 | \$ 793,325 |
| Annuities payable | 816,017 | 782,430 |
| Agency funds payable | 13,567,615 | 10,592,745 |
| Trustee funds payable | 177,320 | 177,540 |
| Accounts payable | 1,551 | 14,171 |
| Payroll & payroll taxes accrued and withheld | 252 | 7,757 |
| Compensated absences | 28,952 | 26,356 |
| Total Liabilities | <u>14,814,138</u> | <u>12,394,324</u> |
| Net Assets | | |
| Unrestricted | | |
| Operating | 371,942 | 409,923 |
| Discretionary funds | 6,190,053 | 5,705,570 |
| Total Unrestricted | <u>6,561,995</u> | <u>6,115,493</u> |
| Temporarily Restricted | | |
| Donor designated funds | 5,653,168 | 5,114,379 |
| Scholarship funds | 4,852,794 | 4,200,129 |
| Field of interest funds | 2,035,887 | 1,920,167 |
| Donor advised | 4,813,186 | 4,425,649 |
| Total Temporary Restricted | <u>17,355,035</u> | <u>15,660,324</u> |
| Permanently Restricted | <u>-</u> | <u>-</u> |
| Total Net Assets | <u>23,917,030</u> | <u>21,775,817</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 38,731,168</u> | <u>\$ 34,170,141</u> |

The accompanying notes are an integral part of the financial statements

THE SPRINGFIELD FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH COMPARATIVE TOTALS FOR 2008

| | Unrestricted | Temporarily | Total | Total |
|--|------------------------|--------------------------|------------------------|------------------------|
| | <u>12/31/09</u> | <u>Restricted</u> | <u>12/31/09</u> | <u>12/31/08</u> |
| REVENUES | | | | |
| Contributions | \$ 49,035 | \$ 991,016 | \$ 1,040,051 | \$ 2,009,526 |
| Operating endowment | 42,396 | - | 42,396 | 43,425 |
| Administrative fee income | 346,327 | - | 346,327 | 412,576 |
| Interest income | 99,396 | 149,865 | 249,261 | 311,320 |
| Dividend income | 86,459 | 224,648 | 311,107 | 443,473 |
| Partners fees | 28,000 | - | 28,000 | 35,356 |
| Miscellaneous income | 1,295 | - | 1,295 | 6,000 |
| Realized gain (loss) on sale of assets | (116,156) | (213,405) | (329,561) | (587,776) |
| Unrealized gain (loss) on value of assets | 956,660 | 2,402,929 | 3,359,589 | (7,223,454) |
| Capital gains income | 56 | 62 | 118 | 44,389 |
| Total revenues collected | <u>1,493,468</u> | <u>3,555,115</u> | <u>5,048,583</u> | <u>(4,505,165)</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | 1,860,404 | (1,860,404) | - | - |
| EXPENSES | | | | |
| Grants distributed | 1,833,914 | | 1,833,914 | 1,951,736 |
| Annuity payments | 201,760 | | 201,760 | 168,089 |
| Personnel expenses | 295,678 | | 295,678 | 281,504 |
| Operating expenses | 102,669 | | 102,669 | 116,290 |
| Programmatic expenses | 43,268 | | 43,268 | 52,687 |
| Administrative fee expenses | 288,028 | | 288,028 | 353,286 |
| Investment management fee | 92,906 | | 92,906 | 110,092 |
| Miscellaneous fund expense | 49,147 | - | 49,147 | 85,430 |
| Total expenses | <u>2,907,370</u> | <u>-</u> | <u>2,907,370</u> | <u>3,119,114</u> |
| INCREASE (DECREASE) IN NET ASSETS | 446,502 | 1,694,711 | 2,141,213 | (7,624,279) |
| NET ASSETS BEGINNING OF YEAR | <u>6,115,493</u> | <u>15,660,324</u> | <u>21,775,817</u> | <u>29,400,096</u> |
| NET ASSETS END OF YEAR | <u>\$ 6,561,995</u> | <u>\$ 17,355,035</u> | <u>\$ 23,917,030</u> | <u>\$ 21,775,817</u> |

The accompanying notes are an integral part of the financial statements

**THE SPRINGFIELD FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,141,213 | \$ (7,624,279) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,278 | 6,119 |
| Unrealized (gain)/loss on investments | (3,359,589) | 7,223,452 |
| Unrealized (gain)/loss on investments (Agency Funds) | (3,005,179) | 3,866,596 |
| Unrealized (gain)/loss on investments (Trustee Funds) | 220 | (21,972) |
| Realized (gain)/loss on sale of investments | 329,562 | 587,776 |
| Realized (gain)/loss on sale of investments (Agency Funds) | 1,098,558 | 265,028 |
| (Increase) decrease in receivables | 169 | 2,392,527 |
| (Increase) decrease in prepaid expenses | 823 | 1,126 |
| (Decrease) increase in grants payable | (570,894) | 251,450 |
| (Decrease) increase in annuities | 33,587 | 19,995 |
| (Decrease) increase in agency funds payable | 2,974,870 | (2,209,288) |
| (Decrease) increase in trustee funds payable | (220) | 21,972 |
| (Decrease) increase in accounts payable | (12,620) | (105) |
| (Decrease) increase in payroll withholdings | (7,505) | 1,866 |
| (Decrease) increase in accrued compensated absences | 2,596 | 6,536 |
| (Decrease) increase in Funders Forum/P-16 payable | - | (788) |
| Net cash (used in) provided by operating activities | <u>(369,131)</u> | <u>4,788,011</u> |
| CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES | | |
| Non-cash gifts received | (122,336) | (1,934,643) |
| Non-cash gifts sold | 125,220 | 263,096 |
| Purchases of investments | (12,204,955) | (20,846,780) |
| Proceeds from sale or maturity of investments | <u>16,747,696</u> | <u>18,248,744</u> |
| Net cash provided by (used in) financing and financing activ | <u>4,545,625</u> | <u>(4,269,583)</u> |
| Net increase in cash and cash equivalents | 4,176,494 | 518,428 |
| Cash and cash equivalents at beginning of year | <u>3,821,330</u> | <u>3,302,902</u> |
| Cash and cash equivalents at end of year | <u>\$ 7,997,824</u> | <u>\$ 3,821,330</u> |

The accompanying notes are an integral part of the financial statements

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1-DESCRIPTION AND PURPOSE OF THE ORGANIZATION

The Springfield Foundation (Foundation), a charitable trust, is an Ohio not-for-profit corporation. The Foundation was established in 1948 for the purpose of financing charitable, benevolent or educational purposes in Springfield and Clark County, Ohio. The Springfield Foundation raises, strengthens, and distributes permanent charitable funds to benefit Clark County. The Foundation is primarily supported by local charitable giving, earnings on funds and long-term investments.

The Foundation was determined to be exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code and has been classified as an organization which is not a private foundation as defined in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

The Foundation receives its primary support from individuals and estates in Springfield and Clark County donating to the organization.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of The Springfield Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, The Springfield Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Effective March 31, 2002, the Foundation adopted SFAS No. 136, *Transfers of Assets to a Not-For-Profit Organization That Raises or Holds Contributions for Others*. The Foundation is required to recognize the fair value of assets held to benefit another organization as a liability.

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 2-SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in calculating the present value of the payments expected to be made to beneficiaries relating to charitable gift annuity agreements.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Springfield Foundation has been granted tax-exempt status under section 501(c)(3) of the Internal Revenue Code and is, therefore, generally exempt from federal and state income taxes. The Springfield Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Advertising/Promotions

Advertising and promotional costs, which are principally included in programmatic expenses, are expensed as incurred. Advertising/promotion expense was \$2,174 for the year ended December 31, 2009 and \$4,661 for the year ended December 31, 2008.

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 2-SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation records investments in marketable securities with readily determinable market values and all investments in debt securities at their fair value. Investments in alternative investments are reported at fair value.

Realized gains or losses are determined by comparison of the carrying value to the net proceeds received upon sale. Unrealized gains and losses are determined by the difference between carrying value and fair value. These amounts are included in the accompanying statement of activities as realized and unrealized gains and losses.

Gains and losses and investment income derived from investments, receivables, and the like are accounted for as unrestricted, temporarily restricted, or permanently restricted based on restrictions, if any, imposed by donors.

The Foundation invests in a hedge mutual fund to reduce the risk of market price fluctuation of certain investments. This hedge mutual fund is not designated as or accounted for as a hedge.

Investment in a Limited Liability Company

It is not practicable to estimate the fair value investment in a limited liability company because there is no established market for these investments and it is inappropriate to estimate future cash flows, which are largely dependent upon economic development.

Promises to Give

Unconditional promises to give are recognized as receivables and as revenues in the period in which The Springfield Foundation is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets (5 to 10 years). It is the Foundation's policy to expense equipment with initial cost of less than \$1,000.

Leasehold improvements are amortized over their estimated useful life of 15 years using the straight line method.

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 2-SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unit Share Allocation

The donations received are compared with the current market value of all the funds and a “daily unit value” is assigned. The “daily unit value” is the basis for allocating income, realized gains or losses and unrealized gains or losses.

NOTE 3 – NET ASSET CLASSIFICATIONS

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). FAS 117-1 provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FAS 117-1 also improves disclosures about an organization’s endowment funds (both donor restricted endowment fund and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Ohio adopted UPMIFA effective June 1, 2009. The Foundation has adopted FAS 117-1 for the year ended December 31, 2009. The board of directors, on the advice of legal counsel, has determined that the majority of the Foundation’s net assets do meet the definition of endowment under UPMIFA. The Foundation is governed subject to the governing documents for the Foundation and most contributions are subject to the governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Unrestricted Funds

Operating - Incurs administrative costs in the operation of the organization’s office, as well as facilitates all fixed assets and the related depreciation.

Discretionary Funds - Recipients selected by the Foundation

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 3 – NET ASSET CLASSIFICATIONS (CONTINUED)

Temporarily Restricted Funds

Donor Designated Funds - Recipients designated by the donor in the instrument of conveyance

Scholarship Funds - Benefiting students attending high school and college

Field-of-Interest Funds - Benefiting activities preferred by donors

Donor Advised Funds - Recipients recommended by the donor, with the final decision made by the Foundation

The Penwell Trust Fund was organized as 509(a)(3) supporting organizations of the Springfield Foundation. It operates exclusively for the charitable and educational purposes of The Springfield Foundation. It is included in scholarship funds.

Permanently Restricted Funds

The Foundation does not interpret any fund as permanently restricted as the Foundation has variance power.

Endowment Spending Policies

Each donor of the Foundation will select a method to determine how to distribute dollars from the fund. When the fund is originally established, the donor will be asked to select a payout distribution method. Dollars that were allocated to be paid out in a given year, but were not distributed, can be carried over and distributed in subsequent years. All distributions will be made in compliance with UPMIFA.

Income Only Spending Policy - The amount to be distributed is the sum of all earnings that have been allocated to the fund over the course of the year. The amount to be allocated is net of all fees the fund has incurred.

Total Return Policy – The payout amount for a fund is calculated by multiplying the average fair market value of the preceding twelve quarter by a percentage approved by the Board of Trustees. The Board of Trustees will approve the percent to be allocated each year. Under the Total Return Spending Policy, a fund may distribute both earnings and realized gains. The calculation will be based on the twelve quarters ending September 30. This establishes a spending budget for the upcoming year.

THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3 – NET ASSET CLASSIFICATIONS (CONTINUED)

Endowment Spending Policies (Continued)

Agency Method – This method is for endowments established by not-for-profit agencies. Using the Agency Method of payout, the payout amount is determined by the needs of the agency. The amount to be paid out can be distributed by any method that is mutually agreed to between the Foundation and the agency. All agency endowments must be approved by the Executive Committee and full board of the Foundation.

Changes in endowment net assets for the years ended December 31, 2009 and 2008 consisted of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|----------------------|
| Endowment net assets – | | | |
| January 1, 2009 | \$5,705,570 | \$ 14,843,195 | \$ 20,548,765 |
| Investment return: | | | |
| Investment income | 159,769 | 367,900 | 527,669 |
| Net appreciation (depreciation) (realized and unrealized) | <u>840,930</u> | <u>2,170,624</u> | <u>3,011,554</u> |
| Total investment income (loss) | 1,000,699 | 2,538,524 | 3,539,223 |
| Contributions | 49,035 | 437,603 | 486,638 |
| Release from restriction | <u>(565,251)</u> | <u>(1,119,662)</u> | <u>(1,684,913)</u> |
| Endowment net assets – | | | |
| December 31, 2009 | <u>\$6,190,053</u> | <u>\$ 16,699,660</u> | <u>\$ 22,889,713</u> |
| | | | |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Endowment net assets – | | | |
| January 1, 2008 | \$7,888,704 | \$ 20,286,697 | \$ 28,175,401 |
| Investment return: | | | |
| Investment income | 211,529 | 479,406 | 690,935 |
| Net appreciation (depreciation) (realized and unrealized) | <u>(2,276,611)</u> | <u>(5,416,665)</u> | <u>(7,693,276)</u> |
| Total investment income (loss) | (2,065,082) | (4,937,259) | (7,002,341) |
| Contributions | 405,523 | 774,611 | 1,180,134 |
| Release from restriction | <u>(523,575)</u> | <u>(1,280,854)</u> | <u>(1,804,429)</u> |
| Endowment net assets – | | | |
| December 31, 2008 | <u>\$5,705,570</u> | <u>\$ 14,843,195</u> | <u>\$ 20,548,765</u> |

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4-GROWTH

Partners in Philanthropy, an auxiliary organization comprised of interested individuals, was created in 1995 to interpret the role of The Springfield Foundation as well as to increase its visibility. The auxiliary's administrative and promotional costs are covered by the dues contributed by the Partners.

NOTE 5 -LIFE INSURANCE AND ANNUITIES

The Springfield Foundation has received donations of life insurance policies and annuities on the lives of local residents as of December 31, 2009 and 2008. The cash surrender value at December 31, 2009 and 2008 was \$115,652 and \$96,062, respectively.

NOTE 6 -INVESTMENTS

Investments are initially recorded at cost when purchased or at fair market value at date of gift.

| | Cost <u>12/31/09</u> | Market Value <u>12/31/09</u> |
|-----------------------------|-------------------------|---------------------------------|
| Short-term investments | \$ 50,000 | \$ 50,052 |
| U.S. Government obligations | 192,630 | 202,013 |
| Bonds | 398,700 | 199,255 |
| Common and preferred stocks | 5,369,567 | 5,254,200 |
| Mutual funds | 19,933,670 | 21,474,676 |
| Alternative investments | <u>4,121,844</u> | <u>3,003,834</u> |
| Total | <u>\$ 30,066,411</u> | <u>\$ 30,184,030</u> |

| | Cost <u>12/31/08</u> | Market Value <u>12/31/08</u> |
|-----------------------------|-------------------------|---------------------------------|
| Short-term investments | \$ 75,000 | \$ 75,842 |
| U.S. Government obligations | 656,525 | 671,655 |
| Bonds | 1,487,434 | 1,077,949 |
| Common and preferred stocks | 7,928,849 | 4,847,721 |
| Mutual funds | 22,157,164 | 19,555,308 |
| Alternative investments | <u>3,751,568</u> | <u>3,584,335</u> |
| Total | <u>\$ 36,056,540</u> | <u>\$ 29,812,810</u> |

A bond with a market value of \$177,320 and \$170,540 at December 31, 2009 and 2008 are restricted for use by two charities.

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 7-FAIR VALUE MEASUREMENT

The carrying values of cash and cash equivalents, receivables, prepaid expenses, accounts payable, accrued expenses, and grants payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

The Foundation has adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entities own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following are descriptions of the Foundation's valuation methodologies for assets measured at fair value:

Level 1 – Based on quoted market prices which are comprised of publicly traded securities and mutual funds

Level 2 – Based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active.

Level 3 – Based on measurements the entity inputs which are developed by the entity and not derived or corroborated by market inputs. Certain types of investments are classified within Level 3 because they trade infrequently and therefore have little or not price transparency. These investments are structured primarily as alternative investments.

The Foundation's fair value hierarchy for the financial assets measured at fair value on a recurring basis for the year ended December 31, 2009, is as follows:

| | <u>Level 1</u> | | <u>Level 2</u> | | <u>Level 3</u> | | <u>Total</u> |
|-----------------------------|----------------------|--|-------------------|--|---------------------|--|---------------------|
| Short-term investments | \$ - | | \$ 50,052 | | \$ - | | \$ 50,052 |
| U.S. Government obligations | - | | 202,013 | | - | | 202,013 |
| Bonds | - | | 199,255 | | - | | 199,255 |
| Common and preferred stocks | 5,254,199 | | - | | - | | 5,254,199 |
| Mutual funds | 21,474,676 | | - | | - | | 21,474,676 |
| Alternative investments | - | | - | | 3,003,834 | | 3,003,834 |
| Total | <u>\$ 26,728,875</u> | | <u>\$ 451,320</u> | | <u>\$ 3,003,834</u> | | <u>\$30,184,029</u> |

THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7-FAIR VALUE MEASUREMENT (CONTINUED)

The changes within Level 3 of the fair value hierarchy for the year ended December 31, 2009, are summarized as follows:

| | |
|---|---------------------|
| Fair value January 1, 2009 | \$ 3,584,335 |
| Net realized and unrealized losses | (950,777) |
| Net purchases, sales, issuances, and settlements | <u>370,276</u> |
| Fair value December 31, 2009 | <u>\$ 3,003,834</u> |
| | |
| Amount of total gains or losses for the year attributable to the unrealized losses for assets held at December 31, 2009 | \$ 950,777 |

The Foundation's fair value hierarchy for the financial assets measured at fair value on a recurring basis for the year ended December 31, 2008, is as follows:

| | <u>Level 1</u> | | <u>Level 2</u> | | <u>Level 3</u> | | <u>Total</u> |
|-----------------------------|----------------------|----|------------------|----|------------------|----|---------------------|
| Short-term investments | \$ - | \$ | 75,852 | \$ | - | \$ | 75,852 |
| U.S. Government obligations | - | | 671,655 | | - | | 671,655 |
| Bonds | - | | 1,077,949 | | - | | 1,077,949 |
| Common and preferred stocks | 4,780,775 | | - | | - | | 4,780,775 |
| Mutual funds | 19,622,254 | | - | | - | | 19,622,254 |
| Alternative investments | - | | - | | 3,584,335 | | 3,584,335 |
| Total | <u>\$ 24,403,029</u> | \$ | <u>1,825,456</u> | \$ | <u>3,584,335</u> | \$ | <u>\$29,812,820</u> |

The changes within Level 3 of the fair value hierarchy for the year ended December 31, 2008, are summarized as follows:

| | |
|---|---------------------|
| Fair value January 1, 2008 | \$ 3,541,348 |
| Net realized and unrealized losses | (338,098) |
| Net purchases, sales, issuances, and settlements | <u>381,085</u> |
| Fair value December 31, 2008 | <u>\$ 3,584,335</u> |
| | |
| Amount of total gains or losses for the year attributable to the unrealized losses for assets held at December 31, 2008 | (\$ 338,098) |

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 8-EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Depreciation is calculated using the straight-line method over the useful life. Depreciation expense for the years ended December 31, 2009 and 2008 was \$3,552 and \$4,393, respectively. Amortization of leasehold improvements is calculated using the straight-line method over 15 years. Amortization expense for the years ended December 31, 2009 and 2008 was \$1,726 in each year.

Furniture and equipment, net of depreciation is summarized as follows:

| | <u>12/31/09</u> | <u>12/31/08</u> |
|--------------------------------|-----------------|------------------|
| Furniture and equipment | \$ 99,151 | \$ 99,151 |
| Less: accumulated depreciation | (91,466) | (87,914) |
| Net | <u>\$ 7,685</u> | <u>\$ 11,237</u> |

Leasehold improvements, net of depreciation is summarized as follows:

| | <u>12/31/09</u> | <u>12/31/08</u> |
|--------------------------------|------------------|------------------|
| Leasehold improvements | \$ 25,890 | \$ 25,890 |
| Less: accumulated depreciation | (14,095) | (12,369) |
| Net | <u>\$ 11,795</u> | <u>\$ 13,521</u> |

NOTE 9-CUSTODIAL LIABILITY

The Springfield Foundation holds and disburses funds as an agent or trustee for several organizations. During the years ended December 31, 2009 and 2008, the following transactions occurred:

| | <u>12/31/09</u> | <u>12/31/08</u> |
|---|---------------------|-----------------------|
| Contributions | \$ 1,411,557 | \$ 2,118,843 |
| Interest Income | 150,708 | 165,312 |
| Dividend income | 214,971 | 264,748 |
| Capital gain income | 691 | 65,247 |
| Realized gain (loss) on investments | (1,098,558) | (265,028) |
| Unrealized gain (loss) on investments | <u>3,005,179</u> | <u>(3,866,596)</u> |
| Total received on behalf of agency organizations | 3,684,548 | (1,517,474) |
| Grants distributed | 603,479 | 552,193 |
| Trust and administration fees | <u>160,071</u> | <u>139,621</u> |
| Total disbursed on behalf of agency organizations | <u>763,550</u> | <u>691,814</u> |
| Net increase (decrease) | <u>\$ 2,920,998</u> | <u>(\$ 2,209,288)</u> |

THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 10-TRANSFERS

During the years ended December 31, 2009 and 2008, the temporarily restricted fund and agency funds transferred \$409,923 and \$407,781, respectively, to the unrestricted fund to cover administrative costs incurred by the Foundation.

NOTE 11-CREDIT RISK

The Foundation maintains cash and investment balances at five financial institutions located in Ohio. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009 and 2008, the Foundation had uninsured cash balances totaling \$1,075,110 and \$918,731.

Investment accounts are insured by the Securities Investors Protection Corporation up to \$10,000,000 for brokerage firms. At December 31, 2009 and 2008, the Foundation had no uninsured balances in brokerage accounts.

NOTE 12-LEASE COMMITMENTS

The Foundation leases office space. At December 31, 2009 and 2008, the Foundation lease is month-to-month. At December 31, 2009 and 2008 the monthly rent was \$1,568. Rent expense was \$18,820 for the years ending December 31, 2009 and 2008.

The Foundation leases office equipment under an operating lease, which expires in August 2012. Lease expense was \$3,129 for 2009 and \$3,192 for 2008. Minimum future lease payments required under this lease as of December 31, 2009 are as follows:

| | |
|------|---------|
| 2010 | \$2,760 |
| 2011 | \$2,760 |
| 2012 | \$1,840 |

NOTE 13-PENSION PLAN

The Foundation established a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code on January 1, 2009. Under the plan, employees who meet eligibility requirements may elect to defer a portion of their salary, subject to statutory limits. The Foundation contributes 5 ¾% of each eligible employee's compensation to the plan, which includes a safe harbor of 3%. Foundation contributions under the plan vest with employees on a five year graded scale. The Foundation's contributions to the plan were \$13,642 for 2008.

THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 13-PENSION PLAN (CONTINUED)

On December 31, 2008, the Foundation discontinued its qualified cash or deferred compensation plan under section 403(b) of the Internal Revenue Code. Under the plan, full time employees who met length-of-service requirements could elect to defer a portion of their salary, subject to statutory limits. The Foundation also maintained a SEP plan, which was also discontinued December 31, 2008. During the year ended December 31, 2008, \$11,191 was allocated to contributions.

NOTE 14-RELATED PARTIES

The Foundation purchased health, life, and disability insurance and retirement benefits through an agent who is also a member of the Board of Trustees. The insurance and benefit cost for the years ended December 31, 2009 and 2008 was \$44,361 and \$39,530.

During the years ended December 31, 2009 and 2008, property, bonding and D & O insurance totaling \$3,608 and \$4,045 was purchased from an agent who is a member of the Board of Trustees.

During the years ended December 31, 2009 and 2008, a member of the Board of Trustees was employed by a law firm who was consulted. These legal costs totaled \$1,387 and \$265 for 2009 and 2008, respectively.

During the year ended December 31, 2008, an individual who is a relative of a member of the Board of Trustees was consulted for web page services totaling \$425.

Members of the Board of Trustees are officers of financial institutions where the Foundation holds significant investments.

A member of the Board of Trustees is related to a trust officer overseeing the Foundation's investments at a financial institution.

Members of the Board of Trustees and two employees of the Foundation are related to individuals who have established Funds with the Foundation.

**THE SPRINGFIELD FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 15-ECONOMIC DEPENDENCE

The Foundation receives the majority of its contributions from the Springfield and Clark County community; therefore the Foundation is dependent upon the economy of the area for future contributions.

The Foundation's operating budget is supported through endowment earnings; therefore the Foundation is dependent upon financial markets and the United States economy for growth of the current endowments and funding of the operating budget.

NOTE 16-RECLASSIFICATIONS

Certain reclassifications have been made to the prior period financial statements in order to make them conform to the classifications used for the current year.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Our report on our audit of the basic financial statements of The Springfield Foundation for December 31, 2009 and 2008 appears on page one. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Taylor, Applegate, Hughes & Assoc., Ltd.

Taylor, Applegate, Hughes and Associates, LTD
March 1, 2010

**THE SPRINGFIELD FOUNDATION
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Personnel Expenses | | |
| Salary and wages | \$ 230,859 | \$ 225,442 |
| Benefits | 43,607 | 38,228 |
| Taxes | <u>21,212</u> | <u>17,834</u> |
| Total personnel expenses | 295,678 | 281,504 |
| | | |
| Operating Expenses | | |
| Rent | 18,820 | 18,820 |
| Telephone | 1,947 | 1,577 |
| Equipment | 11,773 | 11,509 |
| Insurance | 3,608 | 4,045 |
| Memberships | 14,869 | 14,087 |
| Training | 5,147 | 10,455 |
| Legal | 1,387 | 9,779 |
| Accounting, audit, and payroll services | 14,646 | 13,440 |
| Office supplies, stationary, and postage | 10,878 | 11,880 |
| Other administrative expenses | 14,416 | 14,579 |
| Depreciation and amortization expense | <u>5,278</u> | <u>6,119</u> |
| Total operating expenses | 102,769 | 116,290 |
| | | |
| Programmatic Expenses | | |
| African American committee expenses | 4,484 | 5,412 |
| Board governance | 232 | 768 |
| Development committee | 31,983 | 38,948 |
| Distribution committee | 5,634 | 3,782 |
| Scholarship committee expenses | <u>935</u> | <u>3,777</u> |
| Total programmatic expenses | <u>43,268</u> | <u>52,687</u> |
| | | |
| TOTAL | <u>\$ 441,715</u> | <u>\$ 450,481</u> |

The accompanying notes are an integral part of the financial statements