The Springfield Foundation

Consolidated Financial Statements

December 31, 2018 and 2017

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT

CPAS & ADVISORS

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CLARK SCHAEFER HACKETT
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Springfield Foundation:

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of The Springfield Foundation (a not-for-profit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2018, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

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 auditors' judgments, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Springfield Foundation as of December 31, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 20, 2019

Assets

		2018	2017
Current assets			
Cash and cash equivalents	$	2,233,248	2,190,726
Other receivables		20,118	57,352
Prepaid expenses		23,650	24,419
		2,277,016	2,272,497
Investments			
Investments		75,001,336	79,800,895
Beneficial interest in trusts		1,835,107	2,078,021
Investment in limited liability company		258,829	260,416
		77,095,272	82,139,332
Property and equipment			
Office equipment		106,718	99,337
Leasehold improvements		52,664	50,239
		159,382	149,576
Less accumulated depreciation		127,331	118,840
Net property and equipment		32,051	30,736
Other assets		246,961	208,770
Total assets	$	79,651,300	84,651,335

See accompanying notes to the consolidated financial statements.

Liabilities and net assets

		2018	2017
Liabilities			
Accounts payable	$	7,442	-
Payroll and payroll taxes accrued and withheld		9,212	7,425
Grants payable		46,007	225,017
Compensated absences		30,905	26,399
Split interest agreements payable		519,304	502,875
Agency funds payable		41,144,919	45,075,601
Total liabilities		41,757,789	45,837,317
Net assets			
Without donor restrictions			
Operating		471,710	351,642
Discretionary funds		9,634,657	10,000,267
Total without donor restrictions		10,106,367	10,351,909
With donor restrictions			
Horizon funds		52,204	41,824
Donor designated funds		7,695,473	8,197,097
Scholarship funds		8,383,058	8,908,751
Field of interest funds		4,656,517	3,408,362
Donor advised funds		6,999,892	7,906,075
Total with donor restrictions		27,787,144	28,462,109
Total net assets		37,893,511	38,814,018
Total liabilities and net assets	$	79,651,300	84,651,335

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Support, revenues and gains				
Contributions	$ 154,107	3,376,047	3,530,154	4,645,542
Endowment spend	52,296	-	52,296	50,164
Administrative fee income	128,800	-	128,800	127,876
Net investment income (loss)	(589,422)	(640,431)	(1,229,853)	4,505,570
Partners in Philanthropy fees	38,500	-	38,500	38,500
Miscellaneous income	25,832	-	25,832	2,334
Loss on investment in limited liability company	(1,587)	-	(1,587)	(1,659)
Net assets released from restriction	3,410,581	(3,410,581)	-	-
Total support, revenues and gains	3,219,107	(674,965)	2,544,142	9,368,327
Expenses				
Program service expenses	2,982,246	-	2,982,246	3,287,923
Management and general expenses	229,230	-	229,230	205,082
Fundraising expenses	253,173	-	253,173	220,901
Total expenses	3,464,649	-	3,464,649	3,713,906
Change in net assets	(245,542)	(674,965)	(920,507)	5,654,421
Net assets beginning of year	10,351,909	28,462,109	38,814,018	33,159,597
Net assets end of year	$ 10,106,367	27,787,144	37,893,511	38,814,018

See accompanying notes to the consolidated financial statements.

The Springfield Foundation
Consolidated Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains			
Contributions	$ 2,388,529	2,257,013	4,645,542
Endowment spend	50,164	-	50,164
Administrative fee income	127,876	-	127,876
Net investment income	1,007,374	3,498,196	4,505,570
Partners in Philanthropy fees	38,500	-	38,500
Miscellaneous income	2,334	-	2,334
Loss on investments in limited liability company	(1,659)	-	(1,659)
Net assets released from restriction	2,940,228	(2,940,228)	-
Total support, revenues and gains	6,553,346	2,814,981	9,368,327
Expenses			
Program service expenses	3,287,923	-	3,287,923
Management and general expenses	205,082	-	205,082
Fundraising expenses	220,901	-	220,901
Total expenses	3,713,906	-	3,713,906
Change in net assets	2,839,440	2,814,981	5,654,421
Net assets beginning of year	7,512,469	25,647,128	33,159,597
Net assets end of year	$ 10,351,909	28,462,109	38,814,018

The Springfield Foundation
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program	Management and General	Fundraising	Totals
Grants distributed	$ 2,669,279	-	-	2,669,279
Payroll, taxes and benefits	137,947	137,815	172,716	448,478
Professional fees	-	27,217	-	27,217
Advertising and promotion	9,665	9,656	12,101	31,422
Office expenses	11,678	11,667	14,622	37,967
Maintenance	2,904	2,901	3,636	9,441
Information technology	8,511	8,503	10,656	27,670
Occupancy	12,464	12,452	15,606	40,522
Depreciation	2,612	2,609	3,270	8,491
Insurance	1,830	1,829	2,292	5,951
Miscellaneous fund expenses	110,761	-	-	110,761
Other	14,595	14,581	18,274	47,450
Total expenses	$ 2,982,246	229,230	253,173	3,464,649

The Springfield Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities			
Change in net assets	$	(920,507)	5,654,421
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities			
Depreciation		8,491	7,104
Realized gain on sale of investments		(928,390)	(1,681,093)
Unrealized loss (gain) on investments		2,848,546	(2,425,506)
Loss on investment in limited liability company		1,587	1,659
Contribution of beneficial interest in trusts		-	(2,078,021)
Change in beneficial interest in trusts		242,914	-
Donated stock		(1,072,851)	(1,383,269)
Effects of change in operating assets and liabilities			
Other receivables		37,234	115,045
Prepaid expenses		769	(4,079)
Other assets		(38,191)	(24,947)
Other accrued liabilities		13,735	814
Grants payable		(179,010)	46,186
Split interest agreements payable		16,429	(48,959)
Agency funds payable		(3,930,682)	2,922,045
Net cash (used) provided by operating activities		(3,899,926)	1,101,400
Cash flows from investing activities			
Purchase of property and equipment		(9,806)	(2,687)
Purchases of investments		(20,365,525)	(15,075,328)
Proceeds from sale or maturity of investments		24,317,779	14,634,466
Net cash provided (used) in investing activities		3,942,448	(443,549)
Net change in cash and cash equivalents		42,522	657,851
Cash and cash equivalents, beginning of year		2,190,726	1,532,875
Cash and cash equivalents, end of year	$	2,233,248	2,190,726
Supplemental Disclosures:			
Income taxes paid	$	-	4,700

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION AND PURPOSE OF THE ORGANIZATION:

The Springfield Foundation (the “Foundation”) 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 charitable funds to benefit Clark County. The Foundation is primarily supported by local charitable giving, earnings on funds and long-term investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Foundation are set forth to facilitate the understanding of data presented in the consolidated financial statements:

Basis of accounting
The consolidated 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.

Principles of consolidation
The consolidated financial statements include the accounts of the Foundation and The Mildred F Penwell Scholarship Trust (the “Trust”). This Trust was organized as a 509(a)(3) supporting organization of the Foundation. The Trust operates exclusively for the charitable and educational purposes of the Foundation. The Trust’s assets total $247,434 and $271,294 at December 31, 2018 and 2017, respectively, and are included in investments on the consolidated statements of financial position.

Consolidated financial statement presentation
The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles (GAAP), which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Trustees.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Foundation or by the passage of time. The Foundation does not interpret any fund as perpetual in nature as the Foundation has variance power. Therefore, the Foundation did not have any net assets perpetual in nature at December 31, 2018 and 2017.

Use of estimates
The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Adoption of new accounting standard

During 2018, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies and presentation of a consolidated statement of functional expenses as part of the basic consolidated financial statements. The Foundation has implemented this guidance and applied retrospectively to all periods presented, except for not presenting the consolidated statement of functional expenses and liquidity disclosures for the year ended December 31, 2017, as permitted under the ASU. Certain items from 2017 have been reclassified to conform to the current year presentation.

Income taxes

The 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 Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation considers the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's income tax returns. The Foundation participates in certain investments that generate unrelated business income. The Foundation believes there is no material tax liability at year end. The Foundation's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Foundation's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Foundation believes their estimates are appropriate based on the current facts and circumstances.

Cash and cash equivalents

For purposes of the consolidated 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.

Investments and net investment income

The Foundation records investments in equity and debt securities, mutual funds, and alternative investments at their fair value. Realized and unrealized gains or losses are determined by the difference between carrying value and fair value. Gains and losses and investment income derived from investments are accounted for as income with donor restrictions or income without donor restrictions based on any restrictions imposed by donors. Net changes in fair value of investments and realized gains and losses on investments disposed are accumulated with interest and dividends received, net of investment expenses, and are reported in the consolidated statements of activities as net investment income or loss.

Beneficial interest in trusts

Beneficial interest in trusts are resources held and administered by outside trustees for the benefit of the Foundation. These accounts are reported at estimated fair value of the Foundation's interest of assets within the trusts with changes in value included in the consolidated statements of activities. Under the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

terms of the trusts, the Foundation has the irrevocable right to receive the trust assets when the trusts terminate in accordance with the trust agreements.

Investment in limited liability company (LLC)

The Foundation owns a one-third interest in Healthy City Investments, LLC. There is no established market for this investment and it is inappropriate to estimate future cash flows, which are largely dependent upon economic development. The investment is accounted for using the equity method. Under the equity method, investments are initially recorded at cost and increased or decreased by the Foundation’s pro-rata share of earnings or losses. The carrying cost of this investment is also increased or decreased to reflect additional contributions or withdrawals of capital.

Unit share allocation

Donations received are placed into funds based upon the wishes of the donors and are invested in pooled funds. Individual funds are compared with the current fair value of the pooled funds and a “daily unit value” is assigned. The “daily unit value” is the basis for allocating income, realized and unrealized gains or losses to the individual funds.

Split interest agreements

The Foundation is the beneficiary of several charitable gift annuities and a charitable remainder trust. The Foundation values the split interest agreement liabilities using payment streams discounted at market rates over the remaining lives of the donors using standard mortality tables. The contribution recognized in the consolidated statements of activities is the difference between the assets received and the liabilities accepted.

Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions. The expiration of donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and is reported in the consolidated statements of activities as net assets released from restriction.

Property and equipment

Property and equipment are recorded at cost, or fair value, if donated and depreciated or amortized using the straight-line method over the estimated useful lives of the assets (5 to 15 years). It is the Foundation’s policy to expense equipment with initial cost of less than $1,000. Depreciation and amortization expense was $8,491 and $7,104 for the years ended December 31, 2018 and 2017, respectively.

Grants payable

Grants payable in the accompanying consolidated statements of financial position are approved for payment and are payable within one year of the date of the consolidated financial statements of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Functional expense allocations

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Foundation. Expenses are directly applied when applicable and are allocated to programs or support services based on the table shown below. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Such allocations are determined by management on an equitable basis. Expenses are allocated as follows:

Expense	Allocation Method
Payroll, taxes and benefits	Time and Effort
Advertising and promotion	Full Time Equivalents
Office expenses	Full Time Equivalents
Maintenance	Full Time Equivalents
Information technology	Full Time Equivalents
Occupancy	Full Time Equivalents
Depreciation	Full Time Equivalents
Insurance	Full Time Equivalents
Other	Full Time Equivalents

Subsequent events

The Foundation evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. Subsequent events have been evaluated through March 20, 2019, the date on which the consolidated financial statements were available to be issued.

3. NET ASSET CLASSIFICATIONS:

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do meet the definition of an endowment under Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Ohio in June 2009. 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.

Net Assets without donor restrictions

Operating - Incurs administrative costs in the operation of the Foundation's office, as well as facilities, all property and equipment, and related depreciation and amortization.

Discretionary Funds - Recipients selected by the Foundation.

Net Assets with donor restrictions

Horizon Funds - Allows donor to build a restricted fund to be transferred to a fund purpose listed below once the $10,000 threshold has been reached.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

Donor Designated Funds - Recipients designated by the donor in 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.

Return objectives
The Foundation's Investment Committee oversees the investment operations of the Foundation. The Investment Committee is responsible for establishing asset allocation guidelines, selecting and monitoring investment managers to carry out the investment program, and monitoring the performance results for the Foundation on an ongoing basis. The Committee does not make specific investment decisions on a security-by-security basis. Qualified investment managers retained by the Committee exercise discretion within the parameters set forth by the Foundation's investment guidelines for the portfolio(s) they manage on behalf of the Foundation.

In establishing investment guidelines for the Foundation, the Committee considers the long-term nature of the asset pool as well as the cash flow needs of the portfolio. In addition, the Committee has considered the risk and return characteristics of the various asset classes available to institutional investors and sought the guidance of outside consultants. Target asset allocations and permissible ranges have been set for each class of investments.

Investment strategy
The performance objective for the Foundation is to exceed, after investment management fees, a customized blended benchmark based on the Investment Committee's established investment return guidelines. To evaluate success, the Committee compares the performance of the Foundation to the performance of a custom benchmark. The benchmark consists of a weighted-average of market indices that represents a passive implementation of the investment guidelines targets. In addition, the performance objective for the Foundation is to enhance the inflation-adjusted purchasing power of the Funds' assets. The Funds' total returns should exceed the growth in consumer prices by a positive 6% to 7% annually. The objective needs to cover the costs of payouts for grants and scholarships, inflation, investment fees, administrative costs and depreciation. By investing the Funds' assets in multiple asset classes and using outside investment managers with well-diversified portfolios, diversification accomplishes its goal of insulating the portfolio from the effects of substantial losses in any single security, or sector of the market. The Board of Trustees has adopted statements of investment guidelines to formalize investment strategies for the Investment Committee to follow.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

Endowment spending policies

Each donor of the Foundation will select a method to determine how to distribute dollars from the funds. When the funds are 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 funds over the course of the year. The amount to be allocated is net of all fees the funds have incurred.

Total return policy

The payout amount for a fund is calculated by multiplying the average fair value of the preceding twelve quarters by a percentage approved by the Board of Trustees. The Board of Trustees will approve the percent to be allocated each year; 5% for the years ended December 31, 2018 and 2017. 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.

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 that established the fund. 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 endowment funds and payouts must be approved by the full Board of the Foundation.

Changes in endowment net assets for the year ended December 31, 2018 consisted of the following:

		Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$	10,000,267	26,063,374	36,063,641
Contributions		154,106	2,219,099	2,373,205
Investment income		208,699	580,981	789,680
Transfers in		555,983	(555,983)	-
Realized and unrealized losses		(700,301)	(1,216,240)	(1,916,541)
Appropriations		(584,097)	(1,787,772)	(2,371,869)
Endowment assets, end of year	$	9,634,657	25,303,459	34,938,116

3. NET ASSET CLASSIFICATIONS (CONTINUED):

Changes in endowment net assets for the year ended December 31, 2017 consisted of the following:

		Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$	7,103,302	23,581,171	30,684,473
Contributions		2,388,529	639,597	3,028,126
Investment income		119,125	366,146	485,271
Realized and unrealized gains		972,917	3,127,681	4,100,598
Appropriations		(583,606)	(1,651,221)	(2,234,827)
Endowment assets, end of year	$	10,000,267	26,063,374	36,063,641

During the year ended December 31, 2018, "transfers in" represent a change in donor designation. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the entity to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

4. CHARITABLE REMAINDER TRUST AND CHARITABLE GIFT ANNUITIES:

The Foundation is the beneficiary of a charitable remainder trust. The Foundation recognized the asset at fair value and a related liability for this trust based upon present value calculations, including the life expectancy of the contributor, the investment rates of return on the assets, and the distribution percentages stipulated in the agreement. The underlying investments consist of money market funds, common stocks, corporate bonds, municipal bonds and mutual funds at December 31, 2018 and 2017. Under the trust agreement, net interest and dividend earnings from the investments will be distributed to the grantor on a quarterly basis. The present value of the estimated future payments are calculated using discount rates equal to the investment rates of return on the assets and the applicable mortality table.

The Foundation is also the beneficiary of several charitable gift annuities. The present value of the annuities was recognized as a contribution during the initial year of the annuity in the same manner as noted above for the charitable remainder trust. The difference between these annuities and the above trust is that the grantors receive set quarterly distributions as opposed to the net earnings on the investments. There were no changes in actuarial assumptions resulting in revaluations at December 31, 2018 and 2017. The present values of the estimated future payments from these annuities were calculated using discount rates ranging from 5.1% to 8.8% and the applicable mortality table.

4. CHARITABLE REMAINDER TRUST AND CHARITABLE GIFT ANNUITIES (CONTINUED):

The following schedule summarizes the investments and activity associated with the charitable remainder trust and charitable gift annuities for the years ended December 31, 2018 and 2017.

		Charitable Remainder Trust	Charitable Gift Annuities	Total
Fair value, January 1, 2017	$	474,241	76,870	551,111
Net earnings		68,094	66,323	134,417
Distribution to donors		(21,710)	(55,305)	(77,015)
Fair value, December 31, 2017		520,625	87,888	608,513
Net earnings		(12,237)	(17,380)	(29,617)
Distributions to donors		(20,466)	(90,811)	(111,277)
Fair value, December 31, 2018	$	487,922	(20,303)	467,619

Split interest agreements payable at December 31, 2018 and 2017 were $519,304 and $502,875, respectively.

5. GROWTH:

Partners in Philanthropy (the “Partners”), 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 Foundation’s administrative and promotional costs are covered by the dues contributed by the Partners.

6. OTHER ASSETS:

Other assets consist primarily of insurance policies and annuities on the lives of local residents for which the Foundation has been irrevocably named as the beneficiary. The cash surrender value at December 31, 2018 and 2017 was $246,961 and $208,770, respectively.

7. FAIR VALUE MEASUREMENTS:

GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The hierarchy is broken down into three levels based on the ability to observe inputs as follows:

Level 1- Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2- Inputs are observable quoted prices for similar assets in active markets.

Level 3- Inputs are unobservable and reflect management's best estimate of what market participants would use as fair value. Certain types of investments are classified within Level 3 because they trade infrequently and therefore have little or no price transparency.

Fair value methods and assumptions for publicly traded securities and mutual funds are based on the Level 1 market approach. Investments in short-term investments, consisting of certificates of deposit and money market funds, U.S. Government obligations and corporate and municipal bonds are valued on Level 2 inputs using prices obtained from our custodians, which used third party data service providers. Beneficial interest in trusts are valued on Level 3 inputs based on the underlying investments in the trust accounts based on the amounts provided by the trustees of the investments, without adjustment by management.

The Foundation values substantially all of its investments at amounts reported by the investment manager and as validated through consideration of the audited financial statements of such investments. Accordingly, the Foundation does not use separate quantitative information to value such investments.

GAAP allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Foundation to value alternative investments is the net asset value (NAV) per share, or its equivalent.

Because some of these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed. The net asset values provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Foundation, relying on the work of its investment consultants, reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that a change in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The following tables present the assets as of December 31, 2018 and 2017 that are measured at fair value on a recurring basis:

		December 31, 2018	Quoted prices in active markets for identical assets or liabilities Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Assets at Net Asset Value
Investments						
Short-term investments	$	2,889,209	-	2,889,209	-	-
Corporate and municipal bonds		228,145	-	228,145	-	-
Common and preferred stocks		6,242,047	6,242,047	-	-	-
Mutual funds		39,094,675	39,094,675	-	-	-
Alternative investments		26,547,260	-	-	-	26,547,260
Total investments	$	75,001,336	45,336,722	3,117,354	-	26,547,260
Beneficial interest in trusts	$	1,835,107	-	-	1,835,107	-

		December 31, 2017	Quoted prices in active markets for identical assets or liabilities Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Assets as Net Asset Value
Investments						
Short-term investments	$	3,574,034	-	3,574,034	-	-
Corporate and municipal bonds		218,225	-	218,225	-	-
Common and preferred stocks		6,704,498	6,704,498	-	-	-
Mutual funds		35,423,022	35,423,022	-	-	-
Alternative investments		33,881,116	-	-	-	33,881,116
Total investments	$	79,800,895	42,127,520	3,792,259	-	33,881,116
Beneficial interest in trusts	$	2,078,021	-	-	2,078,021	-

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The following is a reconciliation of the Foundation's assets valued at Level 3 inputs (beneficial interest in trusts) at December 31, 2018:

Balance as of January 1, 2018	$	2,078,021
Change in beneficial interest in trusts		(242,914)
Balance as of December 31, 2018	$	1,835,107

The following is a reconciliation of the Foundation's assets valued at Level 3 inputs (beneficial interest in trusts) at December 31, 2017:

Balance as of January 1, 2017	$	-
Contributions		2,078,021
Balance as of December 31, 2017	$	2,078,021

The Foundation calculates the fair value of its beneficial interests in trusts based on the fair value of the underlying assets in the trusts as determined by the third-party trustees multiplied by the Foundation's percentage of ownership. The third-party trustees control the investments in the trusts and make all management and investment decisions. The trust assets are valued at quoted market prices for stocks, bonds, mutual, and exchange traded funds. The Springfield Foundation, as the beneficiary, does not have authority to manage these investments; however, the applicable trustee banks follow Ohio Trust Code for prudent asset management and diversification. The value of the beneficial interest in trusts will increase or decrease with an increase or decrease in the value of the underlying assets.

The following table provides additional disclosures on the Foundation's investments measured at net asset value at December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RREEF American REIT (a)	$ 10,209,510	-	Quarterly	45 days
Small cap equity hedge mutual funds (b)	1,732,543	-	None	30 days
High income private equity funds (c)	3,441,685	-	None	60 days
Private equity funds (d)	11,163,522	4,335,413	N/A	N/A
	$ 26,547,260	4,335,413		

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The following table provides additional disclosures on the Foundation's investments measured at net asset value at December 31, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RREEF American REIT (a)	$ 9,504,777	-	Quarterly	45 days
Small cap equity hedge mutual funds (b)	6,548,711	-	None	30 days
High income private equity funds (c)	3,523,364	-	None	60 days
Private equity funds (d)	14,304,264	5,235,413	N/A	N/A
	$ 33,881,116	5,235,413		

(a) This category includes investments in real estate investment trusts that invest in U.S. real estate, including; multi-family, industrial, retail and office properties. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2018 and 2017, all of the investments in this category can be redeemed with no restrictions.

(b) This category includes investments in investee funds that focus on diversified portfolios of U.S and international equities as well as distressed and arbitrage securities and some private, less liquid investments. The underlying asset details are provided by the investee fund's managers. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2018 and 2017, all of the investments in this category can be redeemed with no restrictions without exception.

(c) This category includes investments in a multi-asset class, diversified portfolio of primarily below investment grade debt securities. The underlying assets are liquid and the fund's managers provide details of those assets. As of December 31, 2018 and 2017, all of the investments in this category can be redeemed with no restrictions without exception.

(d) This category includes several private equity funds that focus on buyout, growth equity and/or distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. As of December 31, 2018 and 2017, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

8. AGENCY FUNDS PAYABLE:

The Springfield Foundation holds and disburses funds as an agent for several organizations. During the years ended December 31, 2018 and 2017, the following transactions occurred:

		2018	2017
Beginning agency funds payable	$	45,075,601	42,153,556
Contributions		968,071	529,454
Interest income		374,499	179,176
Dividend income		672,381	484,438
Realized gain on investments		968,551	1,848,878
Unrealized (loss) gain on investments		(3,248,227)	3,024,629
Total received on behalf of agency organizations		(264,725)	6,066,575
Grants distributed		3,432,393	2,932,365
Trust and administration fees		233,564	212,165
Total disbursed on behalf of agency organizations		3,665,957	3,144,530
Net (decrease) increase		(3,930,682)	2,922,045
Ending agency funds payable	$	41,144,919	45,075,601

The above activity is not reported in the consolidated statements of activities.

9. LIQUIDITY DISCLOSURES:

The Foundation is substantially supported by contributions from donors and investment income. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments as deemed appropriate.

9. LIQUIDITY DISCLOSURES (CONTINUED):

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31, 2018:

Financial assets:	
Cash	$ 2,233,248
Other receivables	20,118
Investments	75,001,336
Financial assets available at year-end	77,254,702
Less those unavailable for general expenditures within one year due to:	
Agency funds	41,147,419
Restricted by donor with purpose restriction	2,483,685
Investments held in board designated endowment	9,634,657
Investments held in donor restricted endowment	25,303,459
Estimated 2019 grants to be disbursed from endowment funds	(2,371,000)
Total limitations on available resources	76,198,220
Financial assets available to meet cash needs for general expenditures within one year	$ 1,056,482

10. CONCENTRATION OF CREDIT RISK:

Financial instruments which subject the Foundation to a concentration of credit risk include cash and investments. The Foundation maintains cash and investment balances at several financial institutions located in Ohio. Bank accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2018 and 2017, the Foundation had uninsured cash balances totaling $2,484,917 and $2,206,989, respectively. To limit these risks, the Foundation places its cash investments with high credit quality financial institutions.

The Foundation's investments are subject to the normal risks associated with financial markets. The Foundation manages the risk with regards to investments by adhering to an investment policy, which requires professional investment management, the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

11. LEASE COMMITMENTS:

The Foundation leases office space and office equipment under non-cancelable operating leases. Rent expense for the years ended December 31, 2018 and 2017 was $39,170. Minimum payments required under such leases for the year ending December 31 are as follows:

2019	$	40,127
2020		40,630
2021		15,463
2022		1,680
	$	97,900

12. RETIREMENT PLAN:

The Foundation has a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code. 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 $19,999 and $17,693 for the years ended December 31, 2018 and 2017, respectively.

13. RELATED PARTIES:

One member of the Board of Trustees was employed by a law firm and this firm was consulted by the Foundation. These legal costs totaled $303 and $1,153 for 2018 and 2017, respectively.

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

14. RECENT ACCOUNTING PRONOUNCEMENTS:

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of the consolidated financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Foundation's financial statements for the year ending December 31, 2019.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal) transaction or as an exchange (reciprocal) transaction. The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Foundation's financial statements for the year ending December 31, 2019.

14. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED):

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the Foundation's financial statements for the year ending December 31, 2020.

Management is currently evaluating the methods of adoption allowed by the new standards and the effect the standards are expected to have on the consolidated financial statements and related disclosures.