The Springfield Foundation

Consolidated Financial Statements

December 31, 2019 and 2018

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT

CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019 and 2018, 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 18, 2020

Assets

		2019	2018
Current assets			
Cash and cash equivalents	$	2,235,323	2,233,248
Other receivables		45,244	20,118
Prepaid expenses		16,697	23,650
		2,297,264	2,277,016
Investments			
Investments		85,641,392	75,001,336
Beneficial interest in trusts		2,271,366	1,835,107
Investment in limited liability company		257,733	258,829
		88,170,491	77,095,272
Property and equipment			
Office equipment		118,857	106,718
Leasehold improvements		52,664	52,664
		171,521	159,382
Less accumulated depreciation		133,975	127,331
Net property and equipment		37,546	32,051
Other assets		302,680	246,961
Total assets	$	90,807,981	79,651,300

Liabilities and net assets

		2019	2018
Liabilities			
Accounts payable	$	1,398	7,442
Payroll and payroll taxes accrued and withheld		11,905	9,212
Grants payable		318,887	46,007
Compensated absences		33,370	30,905
Split interest agreements payable		467,092	519,304
Agency funds payable		47,300,452	41,144,919
Total liabilities		48,133,104	41,757,789
Net assets			
Without donor restrictions			
Operating		438,416	471,710
Discretionary funds		11,049,288	9,634,657
Total without donor restrictions		11,487,704	10,106,367
With donor restrictions			
Horizon funds		64,149	52,204
Donor designated funds		8,676,930	7,695,473
Scholarship funds		9,449,534	8,383,058
Field of interest funds		5,211,563	4,656,517
Donor advised funds		7,784,997	6,999,892
Total with donor restrictions		31,187,173	27,787,144
Total net assets		42,674,877	37,893,511
Total liabilities and net assets	$	90,807,981	79,651,300

The Springfield Foundation
Consolidated Statement of Activities
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

		Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support, revenues and gains					
Contributions	$	190,676	2,393,449	2,584,125	3,530,154
Endowment spend		52,296	-	52,296	52,296
Net investment income (loss)		1,752,657	4,338,635	6,091,292	(1,229,853)
Partners in Philanthropy		40,000	-	40,000	38,500
Miscellaneous income		146,581	-	146,581	154,632
Loss on investment in limited liability company		(1,096)	-	(1,096)	(1,587)
Net assets released from restriction		3,332,055	(3,332,055)	-	-
Total support, revenues and gains		5,513,169	3,400,029	8,913,198	2,544,142
Expenses					
Program service		3,625,169	-	3,625,169	2,982,246
Management and general		237,052	-	237,052	229,230
Fundraising		269,611	-	269,611	253,173
Total expenses		4,131,832	-	4,131,832	3,464,649
Change in net assets		1,381,337	3,400,029	4,781,366	(920,507)
Net assets beginning of year		10,106,367	27,787,144	37,893,511	38,814,018
Net assets end of year	$	11,487,704	31,187,173	42,674,877	37,893,511

See accompanying notes to the consolidated financial statements.

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

		Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains				
Contributions	$	154,107	3,376,047	3,530,154
Endowment spend		52,296	-	52,296
Net investment loss		(589,422)	(640,431)	(1,229,853)
Partners in Philanthropy		38,500	-	38,500
Miscellaneous income		154,632	-	154,632
Loss on investments in limited liability company		(1,587)	-	(1,587)
Net assets released from restriction		3,410,581	(3,410,581)	-
Total support, revenues and gains		3,219,107	(674,965)	2,544,142
Expenses				
Program service		2,982,246	-	2,982,246
Management and general		229,230	-	229,230
Fundraising		253,173	-	253,173
Total expenses		3,464,649	-	3,464,649
Change in net assets		(245,542)	(674,965)	(920,507)
Net assets beginning of year		10,351,909	28,462,109	38,814,018
Net assets end of year	$	10,106,367	27,787,144	37,893,511

The Springfield Foundation
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program	Management and General	Fundraising	Totals
Grants distributed	$ 3,222,391	-	-	3,222,391
Payroll, taxes and benefits	152,355	153,123	195,010	500,488
Professional fees	-	25,353	-	25,353
Advertising and promotion	7,007	7,042	8,969	23,018
Office expenses	9,156	9,202	11,720	30,078
Maintenance	2,813	2,827	3,600	9,240
Information technology	9,844	9,894	12,600	32,338
Occupancy	12,633	12,697	16,170	41,500
Depreciation	2,023	2,032	2,589	6,644
Insurance	1,870	1,879	2,393	6,142
Miscellaneous fund expenses	192,139	-	-	192,139
Other	12,938	13,003	16,560	42,501
Total expenses	$ 3,625,169	237,052	269,611	4,131,832

See accompanying notes to the consolidated financial statements.

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

	Program	Management and General	Fundraising	Totals
Grants to others	$ 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

See accompanying notes to the consolidated financial statements.

The Springfield Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities			
Change in net assets	$	4,781,366	(920,507)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities			
Depreciation		6,644	8,491
Realized gain on sale of investments		(1,127,980)	(928,390)
Unrealized (gain) loss on investments		(4,195,728)	2,848,546
Loss on investment in limited liability company		1,096	1,587
Change in beneficial interest in trusts		(436,259)	242,914
Donated stock		(1,081,966)	(1,072,851)
Effects of change in operating assets and liabilities			
Other receivables		(25,126)	37,234
Prepaid expenses		6,953	769
Other assets		(55,719)	(38,191)
Other accrued liabilities		(886)	13,735
Grants payable		272,880	(179,010)
Split interest agreements payable		(52,212)	16,429
Agency funds payable		6,155,533	(3,930,682)
Net cash provided (used) by operating activities		4,248,596	(3,899,926)
Cash flows from investing activities			
Purchase of property and equipment		(12,139)	(9,806)
Purchases of investments		(14,760,106)	(20,365,525)
Proceeds from sale or maturity of investments		10,525,724	24,317,779
Net cash (used) provided in investing activities		(4,246,521)	3,942,448
Net change in cash and cash equivalents		2,075	42,522
Cash and cash equivalents, beginning of year		2,233,248	2,190,726
Cash and cash equivalents, end of year	$	2,235,323	2,233,248

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 $271,440 and $247,434 at December 31, 2019 and 2018, respectively, and are included in investments on the consolidated statements of financial position.

Consolidated financial statement presentation

The consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States (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 perpetual net assets at December 31, 2019 and 2018.

Use of estimates

The preparation of consolidated financial statements in accordance with GAAP 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 standards

During 2019, the Foundation adopted three Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU), as follows:

ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists 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. The Foundation has applied this standard on a modified prospective basis for the period beginning January 1, 2019. There was no material impact to the financial statements presented upon adoption of this standard.

ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The standard addresses the disclosures required for level 3 fair value measurements, including the valuation process, transfers, purchases and issues, and simplifies the presentation of that information. The Foundation has early implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU.

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Foundation has implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU. There was no material impact to the financial statements presented upon adoption of this standard.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 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 a 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and equipment

Property and equipment are recorded at cost, or fair value, if donated and depreciated 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 expense was $6,644 and $8,491 for the years ended December 31, 2019 and 2018, 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.

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

Reclassifications

Certain items from 2018 have been reclassified to conform to the current period presentation.

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 18, 2020, 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.

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.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

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.

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, 2019 and 2018. 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 Board of Trustees of the Foundation.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

Changes in endowment net assets for the year ended December 31, 2019 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 9,634,657	25,303,459	34,938,116
Contributions	190,676	1,145,684	1,336,360
Investment income	224,723	656,025	880,748
Realized and unrealized gains	1,640,021	3,681,820	5,321,841
Appropriations	(640,789)	(2,177,407)	(2,818,196)
Endowment assets, end of year	$ 11,049,288	28,609,581	39,658,869

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

During the year ended December 31, 2018, “transfers in” represent a change in donor designation. There were no transfers in during 2019.

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, 2019 and 2018.

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 is calculated using discount rates equal to the investment rates of return on the assets and the applicable mortality table.

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

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, 2019 and 2018. 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.

The following schedule summarizes the investments and activity associated with the charitable remainder trust and charitable gift annuities for the years ended December 31, 2019 and 2018.

		Charitable Remainder Trust	Charitable Gift Annuities	Total
Fair value, January 1, 2018	$	520,625	87,888	608,513
Net earnings		(12,237)	(17,380)	(29,617)
Distribution to donors		(20,466)	(90,811)	(111,277)
Fair value, December 31, 2018		487,922	(20,303)	467,619
Net earnings		90,845	67,849	158,694
Distributions to donors		(22,151)	(19,630)	(41,781)
Fair value, December 31, 2019	$	556,616	27,916	584,532

Split interest agreements payable at December 31, 2019 and 2018 were $467,092 and $519,304, 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, 2019 and 2018 was $302,680 and $246,961, 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).

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 the Foundation's 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.

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.

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.

7. FAIR VALUE MEASUREMENTS (CONTINUED):

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.

The following tables present the assets as of December 31, 2019 and 2018 that are measured at fair value on a recurring basis:

	December 31, 2019	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	$ 2,136,791	-	2,136,791	-	-
Corporate and municipal bonds	181,536	-	181,536	-	-
Common and preferred stocks	7,052,993	7,052,993	-	-	-
Mutual funds	46,107,094	46,107,094	-	-	-
Alternative investments	30,162,978	-	-	-	30,162,978
Total investments	$ 85,641,392	53,160,087	2,318,327	-	30,162,978
Beneficial interest in trusts	$ 2,271,366	-	-	2,271,366	-

	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 as 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	-

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The following table provides additional disclosures on the Foundation's investments measured at net asset value at December 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RREEF American REIT (a)	$ 10,848,989	-	Quarterly	45 days
High income private equity funds (c)	3,840,426	-	None	60 days
Private equity funds (d)	15,473,563	7,240,413	N/A	N/A
	$ 30,162,978	7,240,413		

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		

(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, 2019 and 2018, 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. During 2019, the investments in this category were all redeemed and reinvested in private equity funds.

(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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, the following transactions occurred:

		2019	2018
Beginning agency funds payable	$	41,144,919	45,075,601
Contributions		939,062	968,071
Interest income		484,736	374,499
Dividend income		673,813	672,381
Realized gain on investments		1,073,591	968,551
Unrealized gain (loss) on investments		4,913,305	(3,248,227)
Total received on behalf of agency organizations		8,084,507	(264,725)
Grants distributed		1,680,147	3,432,393
Trust and administration fees		248,827	233,564
Total disbursed on behalf of agency organizations		1,928,974	3,665,957
Net increase (decrease)		6,155,533	(3,930,682)
Ending agency funds payable	$	47,300,452	41,144,919

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:

	2019	2018
Financial assets:		
Cash	$ 2,235,323	2,233,248
Other receivables	45,244	20,118
Investments	85,641,392	75,001,336
Financial assets available at year-end	87,921,959	77,254,702
Less those unavailable for general expenditures within one year due to:		
Agency funds	47,300,452	41,144,419
Restricted by donor with purpose restriction	2,577,592	2,483,685
Investments held in board designated endowment	11,049,288	9,634,657
Investments held in donor restricted endowment	28,609,581	25,303,459
Estimated 2020 grants to be disbursed from endowment funds	(2,750,000)	(2,371,000)
Total limitations on available resources	86,786,913	76,195,220
Financial assets available to meet cash needs for general expenditures within one year	$ 1,135,046	1,059,482

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, 2019 and 2018, the Foundation had uninsured cash balances totaling $2,852,295 and $2,484,917, 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, 2019 and 2018 was $40,743 and $39,170, respectively. Minimum payments required under such leases for the year ending December 31 are as follows:

2020	$ 40,630
2021	15,463
2022	1,680
	$ 57,773

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 $22,403 and $19,999 for the years ended December 31, 2019 and 2018, 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 for 2018. There were no legal costs paid to this firm during 2019.

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 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, 2021.

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