The Springfield Foundation

Consolidated Financial Statements

December 31, 2017 and 2016

(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, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2017 and 2016, and the consolidated changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 20, 2018

The Springfield Foundation
Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets

		2017	2016
Current assets			
Cash and cash equivalents	$	2,190,726	1,532,875
Other receivables		57,352	172,397
Prepaid expenses		24,419	20,340
		2,272,497	1,725,612
Investments			
Investments		79,800,895	73,870,165
Beneficial interest in trusts		2,078,021	-
Investment in limited liability company		260,416	262,075
		82,139,332	74,132,240
Property and equipment			
Office equipment		99,337	96,650
Leasehold improvements		50,239	50,239
		149,576	146,889
Less accumulated depreciation		118,840	111,736
Net property and equipment		30,736	35,153
Other assets		208,770	183,823
Total assets	$	84,651,335	76,076,828

See accompanying notes to the consolidated financial statements.

Liabilities and net assets

	2017	2016
Liabilities		
Accounts payable	$ -	263
Payroll and payroll taxes accrued and withheld	7,425	7,270
Grants payable	225,017	178,831
Compensated absences	26,399	25,477
Split interest agreements payable	502,875	551,834
Agency funds payable	45,075,601	42,153,556
Total liabilities	45,837,317	42,917,231
Net assets		
Unrestricted		
Operating	351,642	409,167
Discretionary funds	10,000,267	7,103,302
Total unrestricted	10,351,909	7,512,469
Temporarily restricted		
Horizon funds	41,824	47,059
Donor designated funds	8,197,097	7,451,419
Scholarship funds	8,908,751	7,949,105
Field of interest funds	3,408,362	3,118,500
Donor advised funds	7,906,075	7,081,045
Total temporarily restricted	28,462,109	25,647,128
Total net assets	38,814,018	33,159,597
Total liabilities and net assets	$ 84,651,335	76,076,828

See accompanying notes to the consolidated financial statements.

The Springfield Foundation
Consolidated Statement of Activities
Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Support, revenues and gains				
Contributions	$ 2,388,529	2,257,013	4,645,542	2,641,119
Endowment spend	50,164	-	50,164	50,886
Administrative fee income	127,876	-	127,876	104,313
Interest income	27,444	98,867	126,311	98,888
Dividend income	95,291	267,306	362,597	311,715
Partners in Philanthropy fees	38,500	-	38,500	38,500
Miscellaneous income	2,334	-	2,334	1,564
Realized gain on sale of investments	399,505	1,281,588	1,681,093	225,662
Unrealized gain on investments	575,071	1,850,435	2,425,506	1,258,789
Loss on investment in limited liability company	(1,659)	-	(1,659)	(2,752)
Net assets released from restriction	2,940,228	(2,940,228)	-	-
Total support, revenues and gains	6,643,283	2,814,981	9,458,264	4,728,684
Expenses				
Program service expenses				
Grants distributed	2,799,747	-	2,799,747	2,241,048
Investment management fees	89,937	-	89,937	88,466
Other programmatic expenses	250,790	-	250,790	279,612
Miscellaneous fund expenses	237,386	-	237,386	212,654
Management and general expenses	205,082	-	205,082	199,471
Fundraising expenses	220,901	-	220,901	221,147
Total expenses	3,803,843	-	3,803,843	3,242,398
Change in net assets	2,839,440	2,814,981	5,654,421	1,486,286
Net assets beginning of year	7,512,469	25,647,128	33,159,597	31,673,311
Net assets end of year	$ 10,351,909	28,462,109	38,814,018	33,159,597

See accompanying notes to the consolidated financial statements.

	Unrestricted	Temporarily Restricted	Total
Support, revenues and gains			
Contributions	$ 295,901	2,345,218	2,641,119
Endowment spend	50,886	-	50,886
Administrative fee income	104,313	-	104,313
Interest income	25,130	73,758	98,888
Dividend income	79,214	232,501	311,715
Partners in Philanthropy fees	38,500	-	38,500
Miscellaneous income	1,564	-	1,564
Realized gain on sale of investments	72,828	152,834	225,662
Unrealized gain on investments	293,522	965,267	1,258,789
Loss on investments in limited liability company	(2,752)	-	(2,752)
Net assets released from restriction	2,474,558	(2,474,558)	-
Total support, revenues and gains	3,433,664	1,295,020	4,728,684
Expenses			
Program service expenses			
Grants distributed	2,241,048	-	2,241,048
Investment management fees	88,466	-	88,466
Other programmatic expenses	279,612	-	279,612
Miscellaneous fund expenses	212,654	-	212,654
Management and general expenses	199,471	-	199,471
Fundraising expenses	221,147	-	221,147
Total expenses	3,242,398	-	3,242,398
Change in net assets	191,266	1,295,020	1,486,286
Net assets beginning of year	7,321,203	24,352,108	31,673,311
Net assets end of year	$ 7,512,469	25,647,128	33,159,597

		2017	2016
Cash flows from operating activities			
Change in net assets	$	5,654,421	1,486,286
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation and amortization		7,104	6,912
Realized gain on sale of investments		(1,681,093)	(225,662)
Unrealized gain on investments		(2,425,506)	(1,258,789)
Loss on investment in limited liability company		1,659	2,752
Contribution of beneficial interest in trusts		(2,078,021)	-
Donated stock		(1,383,269)	(1,201,866)
Effects of change in operating assets and liabilities			
Other receivables		115,045	(161,487)
Prepaid expenses		(4,079)	(5,046)
Other assets		(24,947)	(35,333)
Other accrued liabilities		814	2,915
Grants payable		46,186	46,690
Split interest agreements payable		(48,959)	(11,509)
Agency funds payable		2,922,045	3,444,141
Net cash provided by operating activities		1,101,400	2,090,004
Cash flows from investing activities			
Purchase of property and equipment		(2,687)	-
Purchases of investments		(15,075,328)	(16,023,886)
Proceeds from sale or maturity of investments		14,634,466	13,920,004
Net cash used in investing activities		(443,549)	(2,103,882)
Net change in cash and cash equivalents		657,851	(13,878)
Cash and cash equivalents, beginning of year		1,532,875	1,546,753
Cash and cash equivalents, end of year	$	2,190,726	1,532,875
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"), 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 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 $271,294 and $264,260 at December 31, 2017 and 2016, respectively, and are included in investments on the consolidated statements of financial position.

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.

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.

Contributions
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 the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income taxes (continued)
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.

Investments and 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. These amounts are included in the accompanying consolidated statements of activities as realized and unrealized gains and losses. Gains and losses and investment income derived from investments are accounted for as unrestricted or temporarily restricted based on any restrictions imposed by donors.

Beneficial interest in trusts
Beneficial interest in trusts are resources held and administered by an outside trustee 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 gains or losses 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 $7,104 and $6,912 for the years ended December 31, 2017 and 2016, 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.

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, 2018, the date on which the consolidated financial statements were available to be issued.

Reclassifications
Certain items from 2016 have been reclassified to conform to current year presentation.

3. NET ASSET CLASSIFICATIONS:

The Board of Trustees, on the advice of legal counsels, 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.

Unrestricted funds
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.

Temporarily restricted funds
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.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

Temporarily restricted funds

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

Permanently restricted funds

The Foundation does not interpret any fund as permanently restricted as the Foundation has variance power. Therefore, the Foundation did not have any permanently restricted net assets at December 31, 2017 and 2016.

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.

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.

3. NET ASSET CLASSIFICATIONS (CONTINUED):

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, 2017 and 2016. 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, 2017 consisted of the following:

		Unrestricted	Temporarily Restricted	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

Changes in endowment net assets for the year ended December 31, 2016 consisted of the following:

		Unrestricted	Temporarily Restricted	Total
Endowment assets, beginning of year	$	6,902,165	22,499,721	29,401,886
Contributions		295,901	1,162,322	1,458,223
Investment income		102,787	306,259	409,046
Realized and unrealized gains		363,598	1,122,101	1,485,699
Appropriations		(561,149)	(1,509,232)	(2,070,381)
Endowment assets, end of year	$	7,103,302	23,581,171	30,684,473

3. NET ASSET CLASSIFICATIONS (CONTINUED):

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, 2017 and 2016.

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, 2017 and 2016. 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, 2017 and 2016. 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 schedules summarize the investments and activity associated with the charitable remainder trust and charitable gift annuities for the years ended December 31, 2017 and 2016.

		Charitable Remainder Trust	Charitable Gift Annuities	Total
Fair value, January 1, 2016	$	451,917	127,357	579,274
Net earnings		37,439	47,893	85,332
Distribution to donors		(15,115)	(98,380)	(113,495)
Fair value, December 31, 2016		474,241	76,870	551,111
Net earnings		68,094	66,323	134,417
Distributions to donors		(21,710)	(55,305)	(77,015)
Fair value, December 31, 2017	$	520,625	87,888	608,513

Split interest agreements payable at December 31, 2017 and 2016 were $502,875 and $551,834, 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, 2017 and 2016 was $208,770 and $183,823, respectively.

7. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles 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 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.

7. FAIR VALUE MEASUREMENTS (CONTINUED):

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.

The following tables present the assets as of December 31, 2017 and 2016 that are measured at fair value on a recurring basis:

		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 at 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):

		December 31, 2016	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	$	5,267,634	-	5,267,634	-	-
Corporate and municipal bonds		199,140	-	199,140	-	-
Common and preferred stocks		6,048,598	6,048,598	-	-	-
Mutual funds		33,022,571	33,022,571	-	-	-
Alternative investments		29,332,222	-	-	-	29,332,222
Total investments	$	73,870,165	39,071,169	5,466,774	-	29,332,222

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	$	-
Additions		2,078,021
Withdrawals and sales		-
Net realized and unrealized gains		-
Balance as of December 31, 2017	$	2,078,021

There were no assets valued at Level 3 inputs at December 31, 2016.

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, 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		

7. FAIR VALUE MEASUREMENTS (CONTINUED):

The following table provides additional disclosures on the Foundation's investments measured at net asset value at December 31, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
RREEF American REIT (a)	$ 8,240,786	-	Quarterly	45 days
Small cap equity hedge mutual funds (b)	5,583,268	-	None	30 days
High income private equity funds (c)	4,033,243	-	None	60 days
Private equity funds (d)	11,474,925	6,585,413	N/A	N/A
	$ 29,332,222	6,585,413		

(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, 2017 and 2016, 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, 2017 and 2016, all of the investments in this category can be redeemed with no restrictions without exception.

(c) This category includes investments in 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, the following transactions occurred:

		2017	2016
Beginning agency funds payable	$	42,153,556	38,709,415
Contributions		529,454	3,075,483
Interest income		179,176	143,909
Dividend income		484,438	369,804
Realized gain on investments		1,848,878	330,357
Unrealized gain on investments		3,024,629	1,423,080
Total received on behalf of agency organizations		6,066,575	5,342,633
Grants distributed		2,932,365	1,696,147
Trust and administration fees		212,165	202,345
Total disbursed on behalf of agency organizations		3,144,530	1,898,492
Net increase		2,922,045	3,444,141
Ending agency funds payable	$	45,075,601	42,153,556

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

9. 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, 2017 and 2016, the Foundation had uninsured cash balances totaling $2,206,989 and $1,484,943, 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.

10. LEASE COMMITMENTS:

The Foundation leases office space and two pieces of office equipment under non-cancelable operating leases. Rent expense for the years ended December 31, 2017 and 2016 was $39,170 and $37,047, respectively. Minimum payments required under such leases for the year ending December 31 are as follows:

2018	$	39,120
2019		40,127
2020		40,630
2021		15,463
2022		1,680
	$	137,020

11. 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 $17,693 and $15,395 for the years ended December 31, 2017 and 2016, respectively.

12. 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 $1,153 and $-0- for 2017 and 2016, respectively.

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