The Troy Foundation and Subsidiary

Modified Cash Basis Financial Report
December 31, 2020

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Independent Auditor's Report

Governing Board
The Troy Foundation and Subsidiary

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Troy Foundation and Subsidiary (the Foundation), which comprise the consolidated statements of assets, liabilities and net assets – modified cash basis as of December 31, 2020 and 2019, the related consolidated statements of receipts, expenditures and changes in net assets – modified cash basis for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the 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 Foundation'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of The Troy Foundation and Subsidiary as of December 31, 2020 and 2019, and the receipts, expenditures and changes in its net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

RSM US LLP

Dayton, Ohio
September 7, 2021

The Troy Foundation and Subsidiary

Consolidated Statements of Assets, Liabilities and Net Assets
Modified Cash Basis
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	**$ 572,713**	$ 484,911
Investments, at fair value:		
Cash equivalents	**5,200,376**	3,683,592
United States treasury notes and agency obligations	**849,392**	1,046,853
Common and preferred stocks	**26,860,409**	18,718,460
Corporate bonds	**29,476,339**	28,772,351
Government bonds	**703,571**	275,457
Mutual funds	**60,704,950**	51,099,884
Other	**793,672**	937,961
Total investments, at fair value	**124,588,709**	104,534,558
Property and equipment:		
Land and land improvements	**149,802**	130,820
Building	**1,389,933**	1,389,933
Office furniture and equipment	**265,273**	264,314
	1,805,008	1,785,067
Less accumulated depreciation	**841,704**	796,257
Total property and equipment, net	**963,304**	988,810
Total assets	**$ 126,124,726**	$ 106,008,279
Liabilities and Net Assets		
Agent liabilities	**$ 8,794,513**	$ 7,470,463
Net assets:		
Without donor restrictions	**22,821,624**	22,670,400
With donor restrictions	**94,508,589**	75,867,416
Total net assets	**117,330,213**	98,537,816
Total liabilities and net assets	**$ 126,124,726**	$ 106,008,279

See notes to consolidated financial statements.

The Troy Foundation and Subsidiary

Consolidated Statement of Receipts, Expenditures and Changes in Net Assets
Modified Cash Basis
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	**Total**
Receipts:			
Contributions	$ 295,355	$ 12,806,479	**$ 13,101,834**
Dividends and interest, net	435,194	1,715,767	**2,150,961**
Other income	76,500	-	**76,500**
Net assets released from restrictions	4,885,067	(4,885,067)	**-**
Total receipts	5,692,116	9,637,179	**15,329,295**
Expenditures:			
Distributions	6,939,322	-	**6,939,322**
Trustees' fees	322,524	-	**322,524**
Administrative expenses	712,128	-	**712,128**
Total expenditures	7,973,974	-	**7,973,974**
(Deficiency) excess of receipts over expenditures	(2,281,858)	9,637,179	**7,355,321**
Net gain on sales of investments	24,914	415,788	**440,702**
Net unrealized gain on investments	2,294,423	8,701,951	**10,996,374**
Interfund transfers:			
Interfund transfers in	447,145	462,687	**909,832**
Interfund transfers out	(333,400)	(576,432)	**(909,832)**
Total	113,745	(113,745)	**-**
Change in net assets	151,224	18,641,173	**18,792,397**
Net assets, beginning of year	22,670,400	75,867,416	**98,537,816**
Net assets, end of year	$ 22,821,624	$ 94,508,589	**$ 117,330,213**

See notes to consolidated financial statements.

The Troy Foundation and Subsidiary

Consolidated Statement of Receipts, Expenditures and Changes in Net Assets
Modified Cash Basis
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Receipts:			
Contributions	$ 355,927	$ 5,900,146	$ 6,256,073
Dividends and interest, net	495,861	1,714,702	2,210,563
Net assets released from restrictions	7,127,095	(7,127,095)	-
Total receipts	7,978,883	487,753	8,466,636
Expenditures:			
Distributions	7,502,159	-	7,502,159
Trustees' fees	283,121	-	283,121
Administrative expenses	735,514	-	735,514
Total expenditures	8,520,794	-	8,520,794
(Deficiency) excess of receipts over expenditures	(541,911)	487,753	(54,158)
Net gain on sales of investments	1,408,710	4,515,952	5,924,662
Net unrealized gain on investments	1,714,158	6,189,470	7,903,628
Interfund transfers:			
Interfund transfers in	629,653	655,936	1,285,589
Interfund transfers out	(520,146)	(765,443)	(1,285,589)
Total	109,507	(109,507)	-
Change in net assets	2,690,464	11,083,668	13,774,132
Net assets, beginning of year	19,979,936	64,783,748	84,763,684
Net assets, end of year	$ 22,670,400	$ 75,867,416	$ 98,537,816

See notes to consolidated financial statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Description of operations and principles of consolidation: The Troy Foundation is a community foundation in Miami County, Ohio. As a charitable organization, its mission is to improve the quality of life for the community by connecting donors to charitable causes for a better tomorrow. The consolidated financial statements include the accounts of The Troy Foundation and TF Land, Inc., a wholly owned subsidiary (the Foundation). TF Land, Inc. was formed to purchase a building in Troy, Ohio that is leased to The Troy Foundation. All significant transactions between the organizations have been eliminated upon consolidation.

Basis of accounting: The Foundation prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, revenue and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, grants to charitable organizations are recognized as expenditures when paid and the accounts exclude contributions, interest and dividends receivable. Therefore, the accompanying consolidated financial statements are not intended to present the financial position and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Basis of presentation: The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include funds which impose no restrictions on the Foundation as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Governing Board.

Net assets with donor restrictions include funds whose use by the Foundation has been limited by donor imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Foundation.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of receipts, expenditures and changes in net assets as net assets released from restrictions. Gifts received by the Foundation are currently held in various trusts as well as corporate funds.

Contributions of cash and other assets are reported at fair value. Contributions that are received under an agreement providing the Foundation the unilateral power to redirect the use of the transferred assets to a beneficiary other than the one specified by the donor (“variance power”) are classified as without donor restrictions. The Foundation’s Governing Board will evaluate and determine if circumstances have changed, that would render the express desires of the donor unnecessary, impractical, incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation may at any time redirect the application of all or part of a gift, grant or bequest to such other charitable uses or purposes which, in the Foundation’s judgment, will most effectively accomplish the general mission of the Foundation. The Foundation does not receive any donated services that are required to be recognized as contributions.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents consist of cash, money market funds and investments in certain short-term financial instruments. Cash and cash equivalents are deposited with several regional banks and amounts on deposit may exceed federally insured limits.

Investments: Investments are recorded at fair value. Donated investments are recorded at fair value on the date of contribution. The changes in the difference between fair value and cost of investments at the beginning and end of the year are reflected in the consolidated statement of receipts, expenditures and changes in net assets as net unrealized gain (loss) on investments. The realized gains and losses on the sale of investments are the differences between the proceeds received and the carrying value of the investments sold.

The Foundation's investments are subject to the normal risks associated with financial markets. The Foundation manages the risk with regard to investments by adhering to an investment policy which requires professional investment management and diversification of investments, as well as other standards and practices.

Property and equipment: Property and equipment is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or disposal of depreciable property, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the consolidated statement of receipts, expenditures and changes in net assets. Impairment of asset value is recognized whenever events or changes in circumstances indicate that carrying amounts are not recoverable. No impairment was recorded at December 31, 2020 and 2019. Property and equipment are depreciated on a straight-line basis over estimated service lives as follows:

Buildings	40 years
Improvements	15 years
Office furniture and equipment	5-10 years

Depreciation expense was $50,784 and $49,954 for the years ended December 31, 2020 and 2019, respectively.

Agent liabilities: The Foundation receives and distributes assets under certain agency and intermediary arrangements. Funds received by the Foundation when acting as an agent or intermediary are reported as a liability. The funds received are reported as assets of the Foundation and a liability is established for the fair value of the funds.

Administrative expenses: The Foundation collects an administrative fee from the funds to cover operating costs, such as professional fees, salaries, advertising and general office expenses. During the years ended December 31, 2020 and 2019, $856,791 and $794,400 was disbursed from the funds and placed in the Foundation's operating account, respectively. Actual operating expenses incurred by The Troy Foundation during 2020 and 2019 were $667,541 and $691,611, respectively. Actual operating expenses incurred by TF Land, Inc. during 2020 and 2019 were $44,587 and $43,903, respectively.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Spending policy: Effective May 4, 2016, the Foundation, for certain funds, adopted a new spending policy. The intent of the new policy is matching investment performance to actual spending, limiting volatility in spending while maintaining the purchasing power of the assets over time. Under the new policy, distributions from these funds are based on a percentage approved by the Governing Board (4% for 2020 and 2019) of the average fair value of the individual fund for the previous eight quarters. The fair value includes all assets of the fund, including the original contribution, all recorded dividends and interest and all appreciation realized on the investments.

Use of estimates: The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from these estimates.

Income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management does not believe that the Foundation conducts any activities subject to taxation as unrelated business income. In addition, management concluded that there are no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Foundation's federal information returns are no longer subject to examination by the Internal Revenue Service for years before 2017.

Recent accounting pronouncements:

> **Fair value**: In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Foundation adopted this standard in the current year.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through September 7, 2021, the date the consolidated financial statements were available to be issued.

Note 2. Employee Retirement Savings Plan

The Foundation has a 403(b) Plan in which it contributes discretionary matching contributions equal to 3% of an employee's elective deferral, not to exceed 3% of the employee's compensation. Contributions under this plan totaled $11,971 and $6,871 in 2020 and 2019, respectively.

Note 3. Fair Value Measurements

The Foundation adheres to an accounting policy which provides a framework for measuring fair value. This policy applies to all financial instruments that are being measured and reported on a fair value basis.

This policy defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This policy requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. In that regard, this policy establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than the Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Money market funds: Valued at the net asset value of underlying assets.

United States treasury notes and agency obligations: Federal agency bonds valued using the OAS (option adjusted spread) model which incorporates LIBOR/Swap forward curve, credit spreads and interest rate volatilities. LIBOR/Swap curves are sourced from multiple dealer sources. Credit spreads are obtained from the new issue market, dealer quotes and trade prices. Interest rate volatilities are observed from the dealer-quoted swap options market.

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and Government bonds: Corporate and Government bonds valued using issue underwrites as the main dealer source but pricing is received from multiple dealers. Evaluators determine which dealer has the best market for each security.

Mutual funds (equity and bond funds): Valued at the closing price reported on the active market on which the individual securities are traded.

Real estate: Fair value measurements were based on comparable selling prices for real estate and are supported by a third-party specialist.

Note 3. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis: The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	December 31, 2020			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 5,200,376	$ -	$ 5,200,376	$ -
United States treasury notes				
and agency obligations	849,392	-	849,392	-
Common and preferred stocks	26,860,409	26,860,409	-	-
Corporate bonds	29,476,339	-	29,476,339	-
Government bonds	703,571	-	703,571	-
Mutual funds [a]	60,704,950	60,704,950	-	-
Real estate	494,084	-	494,084	-
Other	299,588	-	299,588	-
Total	$ 124,588,709	$ 87,565,359	$ 37,023,350	$ -

	December 31, 2019			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 3,683,592	$ -	$ 3,683,592	$ -
United States treasury notes				
and agency obligations	1,046,853	-	1,046,853	-
Common and preferred stocks	18,718,460	18,718,460	-	-
Corporate bonds	28,772,351	-	28,772,351	-
Government bonds	275,457	-	275,457	-
Mutual funds [a]	51,099,884	51,099,884	-	-
Real estate	627,500	-	627,500	-
Other	310,461	-	310,461	-
Total	$ 104,534,558	$ 69,818,344	$ 34,716,214	$ -

[a] On the basis of its analysis of the nature, characteristics and risks of the investments, the Foundation determined that presenting Mutual Funds as a single class is appropriate.

The Foundation's policy is to recognize transfers among levels of the fair value hierarchy as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers between Levels 1 and 2 during 2020.

Note 4. Functional Classification of Expenses

Expenses classified by natural classification are summarized as follows for the year ended December 31:

	2020			
	Program Services	Management and General	Fundraising	Total Expenses
Grant distributions	$ 6,939,322	$ -	$ -	$ 6,939,322
Trustees' fees	322,524	-	-	322,524
Salaries and benefits	196,313	130,876	109,063	436,252
Depreciation	-	50,784	-	50,784
Dues and subscriptions	-	14,645	-	14,645
Events	-	15,550	-	15,550
Other expenses	-	194,666	231	194,897
	$ 7,458,159	$ 406,521	$ 109,294	$ 7,973,974

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Grant distributions	$ 7,502,159	$ -	$ -	$ 7,502,159
Trustees' fees	283,121	-	-	283,121
Salaries and benefits	186,465	124,310	103,592	414,367
Depreciation	-	49,954	-	49,954
Dues and subscriptions	-	13,649	-	13,649
Events	-	43,561	-	43,561
Other expenses	-	212,333	1,650	213,983
	$ 7,971,745	$ 443,807	$ 105,242	$ 8,520,794

The Foundation classifies its activities into the functional areas of program services, management and general and fundraising. The cost of providing the Foundation’s programs and other activities is summarized on a functional basis above. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

General and administrative expenses include the costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Note 5. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year of December 31:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	$ 572,713	$ 484,911
Investments	124,588,709	104,534,558
Total financial assets	125,161,422	105,019,469
Less amounts not available to be used within one year:		
Agent liabilities	(8,794,513)	(7,470,463)
Net assets with donor restrictions	(94,508,589)	(75,867,416)
Financial assets not available to be used within one year	(103,303,102)	(83,337,879)
Financial assets available to meet general expenditures within one year	$ 21,858,320	$ 21,681,590

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. See Notes 1 and 3 for information about the Foundation’s investments. The Foundation follows a spending policy as described in Note 1.

Note 6. Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundation.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. One of the many provisions of the CARES Act, the Paycheck Protection Program (PPP) provides loans to small businesses to prevent layoffs and business closures during the pandemic. The Foundation was approved for the PPP loan and on April 27, 2020, the Foundation received proceeds from the PPP loan in the amount of $76,500. If certain conditions of the PPP loan program are met, the PPP loan is forgivable. During 2020, the Foundation applied for forgiveness of the amount due on the PPP loan and the loan was forgiven. The related income from loan forgiveness was reported in the consolidated statement of receipts, expenditures and changes in net assets as other income.