The Troy Foundation and Subsidiary

Financial Report
(Modified Cash Basis)
December 31, 2021

Contents

RSM US LLP

Independent Auditor's Report

Governing Board
The Troy Foundation and Subsidiary

Opinion
We have audited the 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, 2021 and 2020, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Foundation as of December 31, 2021 and 2020, 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 for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United Statements of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - 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.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1 and for 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 Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Dayton, Ohio
December 16, 2022

The Troy Foundation and Subsidiary

Consolidated Statements of Assets, Liabilities and Net Assets
Modified Cash Basis
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	$ 754,289	$ 572,713
Investments at fair value:		
Cash equivalents	4,740,395	5,200,376
United States treasury notes and agency obligations	2,059,262	849,392
Common and preferred stocks	31,639,510	26,860,409
Corporate bonds	33,106,340	29,476,339
Government bonds	1,477,736	703,571
Mutual funds	74,194,545	60,704,950
Real estate and other	772,606	793,672
Total investments at fair value	147,990,394	124,588,709
Property and equipment:		
Land and land improvements	149,802	149,802
Building	1,389,933	1,389,933
Office furniture and equipment	271,473	265,273
	1,811,208	1,805,008
Less accumulated depreciation	890,439	841,704
Total property and equipment, net	920,769	963,304
Total assets	$ 149,665,452	$ 126,124,726
Liabilities and Net Assets		
Agent liabilities	$ 10,167,346	$ 8,794,513
Net assets:		
Without donor restrictions	27,749,431	22,821,624
With donor restrictions	111,748,675	94,508,589
Total net assets	139,498,106	117,330,213
Total liabilities and net assets	$ 149,665,452	$ 126,124,726

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Receipts:			
Contributions	$ 210,710	$ 9,676,076	$ 9,886,786
Dividends and interest, net	433,698	1,837,043	2,270,741
Net assets released from restrictions	8,845,744	(8,845,744)	-
Total receipts	9,490,152	2,667,375	12,157,527
Expenditures:			
Distributions	7,021,969	-	7,021,969
Trustees' fees	318,499	-	318,499
Administrative expenses	775,904	-	775,904
Total expenditures	8,116,372	-	8,116,372
Excess of receipts over expenditures	1,373,780	2,667,375	4,041,155
Net gain on sales of investments	488,825	1,983,767	2,472,592
Net unrealized gain on investments	3,065,202	12,588,944	15,654,146
Interfund transfers:			
Interfund transfers in	281,570	462,391	743,961
Interfund transfers out	(281,570)	(462,391)	(743,961)
Total	-	-	-
Change in net assets	4,927,807	17,240,086	22,167,893
Net assets, beginning of year	22,821,624	94,508,589	117,330,213
Net assets, end of year	$ 27,749,431	$ 111,748,675	$ 139,498,106

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.

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 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, 2021 and 2020. 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 $48,735 and $50,784 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, $1,161,093 and $856,791 was disbursed from the funds and placed in the Foundation's operating account, respectively. Actual operating expenses incurred by The Troy Foundation during 2021 and 2020 were $731,691 and $667,541, respectively. Actual operating expenses incurred by TF Land, Inc. during 2021 and 2020 were $44,213 and $44,587, 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 2021 and 2020) 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 2018.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through December 16, 2022, 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 $8,770 and $11,971 in 2021 and 2020, 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.

Note 3. Fair Value Measurements (Continued)

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, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	December 31, 2021			
Description	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 4,740,395	$ -	$ 4,740,395	$ -
United States treasury notes				
and agency obligations	2,059,262	-	2,059,262	-
Common and preferred stocks	31,639,510	31,639,510	-	-
Corporate bonds	33,106,340	-	33,106,340	-
Government bonds	1,477,736	-	1,477,736	-
Mutual funds [(a)]	74,194,545	74,194,545	-	-
Real estate	494,084	-	494,084	-
Other	278,522	-	278,522	-
Total	$ 147,990,394	$ 105,834,055	$ 42,156,339	$ -

	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	$ -

[(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 2021.

Note 4. Functional Classification of Expenses

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

	2021			
	Program Services	Management and General	Fundraising	Total Expenses
Grant distributions	$ 7,021,969	$ -	$ -	$ 7,021,969
Trustees' fees	318,499	-	-	318,499
Salaries and benefits	211,498	140,999	117,499	469,996
Depreciation	-	48,735	-	48,735
Dues and subscriptions	-	14,171	-	14,171
Events	-	6,569	-	6,569
Other expenses	-	235,723	710	236,433
	$ 7,551,966	$ 446,197	$ 118,209	$ 8,116,372

	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

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.

Management and general 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:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	$ 754,289	$ 572,713
Investments	147,990,394	124,588,709
Total financial assets	148,744,683	125,161,422
Less amounts not available to be used within one year:		
Agent liabilities	(10,167,346)	(8,794,513)
Net assets with donor restrictions	(111,748,675)	(94,508,589)
Financial assets not available to be used within one year	(121,916,021)	(103,303,102)
Financial assets available to meet general expenditures within one year	$ 26,828,662	$ 21,858,320

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 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. The SBA may audit whether the Foundation qualified for the PPP loans and met the conditions necessary for forgiveness of the loan for up to six years after it forgave the loans. Therefore, it is possible that the Foundation may have to repay an amount previously forgiven by the SBA.

Note 7. Recently Issued Accounting Pronouncements

Contributed nonfinancial assets: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The Foundation is currently evaluating the impact of this new guidance on its financial statements.