

# **The Troy Foundation and Subsidiary**

Consolidated Financial Report  
(Modified Cash Basis)  
December 31, 2023

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## 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, 2023 and 2022, 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, 2023 and 2022, 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 States 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  
July 10, 2024

**The Troy Foundation and Subsidiary**

**Consolidated Statements of Assets, Liabilities and Net Assets Modified Cash Basis  
December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash	\$ 1,272,165	\$ 1,039,904
Investments at fair value:		
Cash equivalents	5,109,369	4,191,291
United States treasury notes and agency obligations	5,772,732	5,718,493
Common and preferred stocks	24,167,942	21,393,827
Corporate bonds	36,340,847	33,133,033
Government bonds	1,142,577	1,429,832
Mutual funds	66,933,762	55,721,100
Real estate and other	408,495	735,700
<b>Total investments at fair value</b>	<b>139,875,724</b>	<b>122,323,276</b>
Property and equipment:		
Land and land improvements	149,802	149,802
Building	1,389,933	1,389,933
Office furniture and equipment	271,473	271,473
	1,811,208	1,811,208
Less accumulated depreciation	974,287	932,917
<b>Total property and equipment, net</b>	<b>836,921</b>	<b>878,291</b>
<b>Total assets</b>	<b>\$ 141,984,810</b>	<b>\$ 124,241,471</b>
<b>Liabilities and Net Assets</b>		
Agent liabilities	\$ 8,648,704	\$ 7,795,354
Net assets:		
Without donor restrictions	24,241,827	21,845,380
With donor restrictions	109,094,279	94,600,737
<b>Total net assets</b>	<b>133,336,106</b>	<b>116,446,117</b>
<b>Total liabilities and net assets</b>	<b>\$ 141,984,810</b>	<b>\$ 124,241,471</b>

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Receipts:			
Contributions	\$ 42,241	\$ 6,244,146	\$ 6,286,387
Dividends and interest, net	513,919	2,338,052	2,851,971
Net assets released from restrictions	7,280,374	(7,280,374)	-
<b>Total receipts</b>	<b>7,836,534</b>	<b>1,301,824</b>	<b>9,138,358</b>
Expenditures:			
Distributions	7,280,374	-	7,280,374
Trustees' fees	364,919	-	364,919
Administrative expenses	840,406	-	840,406
<b>Total expenditures</b>	<b>8,485,699</b>	<b>-</b>	<b>8,485,699</b>
<b>Excess of expenditures over receipts</b>	<b>(649,165)</b>	<b>1,301,824</b>	<b>652,659</b>
Net gain on sales of investments	251,213	725,919	977,132
Net unrealized loss on investments	2,794,399	12,465,799	15,260,198
<b>Change in net assets</b>	<b>2,396,447</b>	<b>14,493,542</b>	<b>16,889,989</b>
Net assets:			
Beginning	21,845,380	94,600,737	116,446,117
Ending	<b>\$ 24,241,827</b>	<b>\$ 109,094,279</b>	<b>\$ 133,336,106</b>

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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Receipts:</b>			
Contributions	\$ 361,716	\$ 5,456,094	\$ 5,817,810
Dividends and interest, net	459,836	1,988,627	2,448,463
Net assets released from restrictions	6,189,093	(6,189,093)	-
<b>Total receipts</b>	<b>7,010,645</b>	<b>1,255,628</b>	<b>8,266,273</b>
<b>Expenditures:</b>			
Distributions	7,475,924	-	7,475,924
Trustees' fees	331,655	-	331,655
Administrative expenses	823,650	-	823,650
<b>Total expenditures</b>	<b>8,631,229</b>	<b>-</b>	<b>8,631,229</b>
<b>Excess of expenditures over receipts</b>	<b>(1,620,584)</b>	<b>1,255,628</b>	<b>(364,956)</b>
Net gain on sales of investments	370,949	3,008,672	3,379,621
Net unrealized loss on investments	(4,654,416)	(21,412,238)	(26,066,654)
<b>Change in net assets</b>	<b>(5,904,051)</b>	<b>(17,147,938)</b>	<b>(23,051,989)</b>
<b>Net assets:</b>			
Beginning	27,749,431	111,748,675	139,498,106
Ending	<b>\$ 21,845,380</b>	<b>\$ 94,600,737</b>	<b>\$ 116,446,117</b>

See notes to consolidated financial statements.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### 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 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. The Foundation's policy is to prepare its financial statements on a modified cash basis that includes recording of depreciation and amortization on long-lived assets. If an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the useful life of the asset. Therefore, the accompanying 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.



## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### 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, 2023 and 2022. 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 \$41,370 and \$92,895 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, \$1,084,138 and \$1,117,343, respectively, was disbursed from the funds and placed in the Foundation's operating account. Actual operating expenses incurred by The Troy Foundation during the years ended December 31, 2023 and 2022, were \$799,036 and \$740,653, respectively. Actual operating expenses incurred by TF Land, Inc. during the years ended December 31, 2023 and 2022, were \$38,648 and \$82,997, respectively.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### 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 the years ended December 31, 2023 and 2022) 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 2019.

**Subsequent events:** The Foundation has evaluated subsequent events for potential recognition and/or disclosure through July 10, 2024, the date the 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 \$12,086 and \$11,036 as of December 31, 2023 and 2022, 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.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### 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 option adjusted spread (OAS) 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.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

#### 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, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

Description	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 5,109,369	\$ -	\$ 5,109,369	\$ -
United States treasury notes and agency obligations	5,772,732	-	5,772,732	-
Common and preferred stocks	24,167,942	24,167,942	-	-
Corporate bonds	36,340,847	-	36,340,847	-
Government bonds	1,142,577	-	1,142,577	-
Mutual funds <sup>(a)</sup>	66,933,762	66,933,762	-	-
Real estate	214,785	-	214,785	-
Other	193,710	-	193,710	-
Total	<u>\$ 139,875,724</u>	<u>\$ 91,101,704</u>	<u>\$ 48,774,020</u>	<u>\$ -</u>

Description	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 4,191,291	\$ -	\$ 4,191,291	\$ -
United States treasury notes and agency obligations	5,718,493	-	5,718,493	-
Common and preferred stocks	21,393,827	21,393,827	-	-
Corporate bonds	33,133,033	-	33,133,033	-
Government bonds	1,429,832	-	1,429,832	-
Mutual funds (a)	55,721,100	55,721,100	-	-
Real estate	494,084	-	494,084	-
Other	241,616	-	241,616	-
Total	<u>\$ 122,323,276</u>	<u>\$ 77,114,927</u>	<u>\$ 45,208,349</u>	<u>\$ -</u>

<sup>(a)</sup> 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 the years ended December 31, 2023 and 2022.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### Note 4. Functional Classification of Expenses

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

	2023			Total Expenses
	Program Services	Management and General	Fundraising	
Grant distributions	\$ 7,280,374	\$ -	\$ -	\$ 7,280,374
Trustees' fees	364,919	-	-	364,919
Salaries and benefits	247,086	164,724	137,270	549,080
Depreciation	-	41,370	-	41,370
Dues and subscriptions	-	16,856	-	16,856
Events	-	20,333	-	20,333
Other expenses	-	212,137	630	212,767
	<u>\$ 7,892,379</u>	<u>\$ 455,420</u>	<u>\$ 137,900</u>	<u>\$ 8,485,699</u>

  

	2022			Total Expenses
	Program Services	Management and General	Fundraising	
Grant distributions	\$ 7,475,924	\$ -	\$ -	\$ 7,475,924
Trustees' fees	331,655	-	-	331,655
Salaries and benefits	238,466	158,977	132,481	529,924
Depreciation	-	92,895	-	92,895
Dues and subscriptions	-	14,111	-	14,111
Events	-	23,089	-	23,089
Other expenses	-	161,835	1,796	163,631
	<u>\$ 8,046,045</u>	<u>\$ 450,907</u>	<u>\$ 134,277</u>	<u>\$ 8,631,229</u>

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.

## The Troy Foundation and Subsidiary

### Notes to Consolidated Financial Statements Modified Cash Basis

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#### Note 5. Liquidity and Availability

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,272,165	\$ 1,039,904
Investments	139,875,724	122,323,276
Total financial assets	<u>141,147,889</u>	<u>123,363,180</u>
Less amounts not available to be used within one year:		
Agent liabilities	(8,648,704)	(7,795,354)
Net assets with donor restrictions	(109,094,279)	(94,600,737)
Financial assets not available to be used within one year	<u>(117,742,983)</u>	<u>(102,396,091)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 23,404,906</u>	<u>\$ 20,967,089</u>

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.