

ISLA CARROLL TURNER FRIENDSHIP TRUST

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

Daniel P. McGuire, P.C.
Certified Public Accountant
Houston, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Isla Carroll Turner Friendship Trust
Houston, Texas

We have audited the accompanying financial statements of Isla Carroll Turner Friendship Trust (a Texas Trust), which comprise the statement of assets, liabilities, and net assets—cash basis as of December 31, 2013, and the related statement of revenues, and expenses—cash basis for the year then ended, and the statement of changes in net assets, and the related notes to 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 cash basis of accounting as described in Note 2; this includes determining that the 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 audit. We conducted our audit 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 entity'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 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 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 Isla Carroll Turner Friendship Trust as of December 31, 2013, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Grants and Commitment Payments on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Daniel P. McAnis, P.C." The signature is written in a cursive style.

Houston, Texas
July 2, 2014

Isla Carroll Turner Friendship Trust
Statement of Assets, Liabilities and Net Assets - Cash Basis
December 31, 2013

ASSETS

| | | |
|---------------------------|---------------------|-----------------------|
| Current Assets | | |
| Cash and Cash Equivalents | \$ 68,897.94 | |
| Prepaid Excise Tax | <u>52,000.00</u> | |
| Total Current Assets | | 120,897.94 |
| Non-Current Assets | | |
| Investments | <u>1,221,942.69</u> | |
| Total Non-Current Assets | | 1,221,942.69 |
| Fixed Assets | | |
| Furniture & Equipment | 9,727.18 | |
| Accumulated Depreciation | <u>(9,727.18)</u> | |
| Total Fixed Assets | | <u>0.00</u> |
| TOTAL ASSETS | | <u>\$1,342,840.63</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|-----------------------|
| Current Liabilities | | |
| Due to Related Entity | \$ <u>3,525.16</u> | |
| Total Current Liabilities | | 3,525.16 |
| NET Assets | | |
| Net Assets | <u>1,339,315.47</u> | |
| Total Net Assets | | <u>1,339,315.47</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$1,342,840.63</u> |

See accompanying notes.

Isla Carroll Turner Friendship Trust
Statement of Revenues and Expenses - Cash Basis
December 31, 2013

| | |
|---|----------------------------|
| Revenues | |
| Dividends - Salient Trust Company Investments | <u>\$1,495,397.88</u> |
| Total Revenues | 1,495,397.88 |
| Operating Expenses | |
| Grants Paid | 2,234,000.00 |
| Insurance | 12,078.91 |
| Professional Fees | 26,176.04 |
| Office Expense | 7,925.00 |
| Rent | 25,405.34 |
| Trustee Fees | 700.00 |
| Wages and Salaries | 71,250.08 |
| Payroll Taxes | 5,547.78 |
| Investment Advisory Fees | <u>54,075.00</u> |
| Total Expenses | <u>2,437,158.15</u> |
| Other Revenues and Expenses | |
| Net Gain/(Loss) - Investment Securities | 1,017,875.79 |
| Interest Income | 22.07 |
| Taxes - Federal Excise | <u>(48,959.00)</u> |
| Total Other Revenues and Expenses | <u>968,938.86</u> |
| Excess (Deficit) of Revenues Over Expenses | <u><u>\$ 27,178.59</u></u> |

See accompanying notes.

Isla Carroll Turner Friendship Trust
Statement of Changes in Net Assets - Cash Basis
December 31, 2013

| | Charitable Income | Restricted | Total |
|--|-----------------------|------------------------|------------------------|
| Balance, January 1, 2013 | \$ (165,897.40) | \$ 1,478,034.28 | \$ 1,312,136.88 |
| Transfer | 57,587.68 | (57,587.68) | - |
| Excess (Deficit) of Revenues Over Expenses | 27,178.59 | - | 27,178.59 |
| Balance, December 31, 2013 | <u>\$ (81,131.13)</u> | <u>\$ 1,420,446.60</u> | <u>\$ 1,339,315.47</u> |

See accompanying notes.

Isla Carroll Turner Friendship Trust
Notes to Financial Statements
December 31, 2013

NOTE 1. Nature of the Organization

The Isla Carroll Turner Friendship Trust was established by Isla Carroll Turner in 1956 to provide monthly distributions to several named beneficiaries with the excess income set aside for charity. The instrument, as amended, provides for the excess income to be contributed to charitable organizations and only for the benefit of needy elderly persons who are residents of Texas.

NOTE 2. Summary of Significant Accounting Policies

a.) Basis of Accounting

The accounts of the Trust are maintained on the cash basis of accounting in accordance with the terms of the Trust Indenture. The accompanying financial statements have been prepared on that basis. This basis is a comprehensive basis of accounting other than generally accepted accounting principles. Assets purchased are stated at cost or, in the case of gifts, at market value at the date of the gift.

b.) Income Tax Status

The Trust is a private foundation as defined in Section 4947(a)(1) of the Internal Revenue Code of 1986. The Trust is exempt from Federal income taxes, but the Trust is subject to a Federal excise tax.

The Trust is generally required to distribute, as contributions, an amount equal to at least its excess of income over expenditures. At December 31, 2013, the Trust was liable for excise tax in the amount of \$48,923.00.

c.) Cash and Cash Equivalents

Cash and cash equivalents are defined as all monies in checking and money market accounts.

The Trust, in the ordinary course of business, maintains bank balances, at times, in excess of FDIC insured limits.

d.) Investments - Non-Current

Investments are stated at cost.

At December 31, 2013, the investment securities had a market value of \$59,956,582.94.

e.) Furniture and Fixtures

It is the Trust's policy to capitalize furniture and fixtures over \$100.00, lesser amounts are expensed. Furniture and fixtures are depreciated using the straight-line method.

f.) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. Operating Lease

The Trust shares certain office expenses with a related entity. In 2012, the Trust co-signed an office lease with a term of ten years. The commencement of the lease was March 16, 2012. At December 31, 2013, the future minimum lease payments under the sharing arrangement were as follows:

| | |
|------|----------------------|
| 2014 | \$ 22,080.00 |
| 2015 | 22,252.50 |
| 2016 | 22,597.50 |
| 2017 | 22,770.00 |
| 2018 | 23,115.00 |
| 2019 | 23,287.50 |
| 2020 | 23,632.50 |
| 2021 | 23,805.00 |
| 2022 | 7,935.00 |
| | <u>\$ 191,475.00</u> |

The Trust is also required to pay a proportionate share of the actual operating costs, in addition to the monthly rent as determined on an annual basis.

Rental expense for 2013 was \$25,405.34.

NOTE 4. Investment and Revenue Concentration

The Trust's investments provide its sole revenue source. The portfolio is comprised almost exclusively of one security. This concentration and the inherent market volatility can affect the Foundation's policies and operations.

NOTE 5. Subsequent Events

Subsequent events were evaluated by management through July 2, 2014, the date that the financial statements were available to be issued. Management found no subsequent events to report.

NOTE 6. Taxes

Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for tax year 2011 and 2012 remain subject to examination.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Isla Carroll Turner Friendship Trust
Houston, Texas

My report on my audit of the basic financial statements of the Isla Carroll Turner Friendship Trust for the year ended December 31, 2013 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Grants and Commitment Payments for 2013 is presented for supplementary analysis purposes and is not considered necessary for fair presentation of the basic financial statements. The supplementary financial information has been subjected to the applicable audit procedures I performed in my audit of the related basic financial statements.

In my opinion, all of the supplementary financial information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in blue ink that reads "Daniel P. McGuire, P.C.".

Houston, Texas
July 2, 2014

Isla Carroll Turner Friendship Trust
Schedule of Grants and Commitment Payments for 2013

| Grantee | Paid |
|---|--------------|
| All Saints Parish | \$ 40,000.00 |
| Alzheimer's Association Houston and Southeast Texas Chapter | 60,000.00 |
| Austin Habitat for Humanity | 50,000.00 |
| Baylor College of Medicine | 50,000.00 |
| Bering Omega Community Services | 40,000.00 |
| Brazos Presbyterian Homes, Inc. | 25,000.00 |
| Bulverde Senior Center | 25,000.00 |
| Camp Summit, Inc. | 20,000.00 |
| Capital Area Food Bank of Texas, Inc. | 25,000.00 |
| Cathedral Health & Outreach Ministries | 30,000.00 |
| Cenacle Convent, Inc. | 15,000.00 |
| Centro Familiar Cristiano, Inc. | 6,500.00 |
| Christian Senior Services | 10,000.00 |
| CHRISTUS Foundation for Healthcare | 50,000.00 |
| Christus Stehlin Foundation for Cancer Research | 15,000.00 |
| Clarewood House | 50,000.00 |
| Comal County Senior Citizens Foundation | 30,000.00 |
| Depression and Bipolar Support Alliance of Greater Houston | 15,000.00 |
| Dominican Sisters of Houston, Texas, Inc. | 20,000.00 |
| Easter Seals of Central Texas | 25,000.00 |
| Easter Seals of Greater Houston | 25,000.00 |
| Eden Home, Inc. | 50,000.00 |
| El Paso Diabetes Association | 10,000.00 |
| Evelyn Rubenstein Jewish Community Center | 30,000.00 |
| Evergreen Life Services of Texas | 5,000.00 |
| Faith in Action Georgetown | 10,000.00 |
| Family Service Association | 10,000.00 |
| Family Service Center at Houston & Harris County | 15,000.00 |
| Fort Bend Seniors Meals On Wheels and Much Much More | 25,000.00 |
| Friends for Life | 20,000.00 |
| Gleanings From The Harvest Galveston | 30,000.00 |
| Golden Age Hobby House of Houston, Inc. | 75,000.00 |
| Golden Rule Broadcasting, Inc | 25,000.00 |
| Good Samaritan Foundation | 60,000.00 |
| Houston's Amazing Place, Inc | 60,000.00 |
| Houston Area Parkinson Society | 50,000.00 |
| Houston Habitat for Humanity | 140,000.00 |
| Houston Hospice and Palliative Care | 50,000.00 |
| Interfaith Carepartners | 25,000.00 |
| Interfaith Caring Ministries, Inc. | 40,000.00 |
| Interfaith Ministries for Greater Houston | 40,000.00 |
| Katy ARTReach | 5,000.00 |
| Meals on Wheels and More, Inc. | 10,000.00 |
| Meals on Wheels of Tarrant County | 7,500.00 |

| | |
|--|------------------------|
| Metroport Meals on Wheels, Inc. | 10,000.00 |
| Missions of Yahweh, Inc. | 25,000.00 |
| New Hope Housing | 50,000.00 |
| Nixon Home Care | 75,000.00 |
| North Dickens County Senior Citizens Association | 15,000.00 |
| Northwest Assistance Ministries | 40,000.00 |
| Precint2gether, Inc. | 30,000.00 |
| Project MEND | 5,000.00 |
| Rebuilding Together Houston | 25,000.00 |
| Regional East Texas Food Bank | 10,000.00 |
| Sheltering Arms Senior Service | 50,000.00 |
| Southeast Area Ministries | 35,000.00 |
| St. Dominic Village | 100,000.00 |
| St. James House of Baytown | 75,000.00 |
| Stilwell Retirement Residence | 25,000.00 |
| The Care Communities | 25,000.00 |
| The Menninger Clinic | 25,000.00 |
| The Rose | 15,000.00 |
| Turning Point Center | 10,000.00 |
| University of Houston | 65,000.00 |
| University of Texas Health Science Center | 30,000.00 |
| Volunteer Interfaith Caregivers, Southwest | 15,000.00 |
| Wheeler Avenue 5C's, Inc | 35,000.00 |
| YMCA-Downtown Tellepsen Family | 25,000.00 |
| 2013 Grants and Commitment Payments | <u>\$ 2,234,000.00</u> |