

ISLA CARROLL TURNER FRIENDSHIP TRUST

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

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

## CONTENTS

	PAGE
ACCOUNTANT'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Assets - Cash Basis	3
Statement of Revenues and Expenses - Cash Basis	4
Statement of Changes in Net Assets - Cash Basis	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	9
Accountant's Report on Supplementary Information	10
Schedule of Grants and Commitment Payments	11

Daniel P. McGuire, P.C.  
Certified Public Accountant  
10497 Town & Country Way, Suite 520  
Houston, Texas 77024  
Tel. No. (713) 932-0409  
Fax No. (713) 932-0425

## 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, 2014, 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, 2014, 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. McQuinn, P.C.".

Houston, Texas  
August 4, 2015

Isla Carroll Turner Friendship Trust  
Statement of Assets, Liabilities and Net Assets - Cash Basis  
December 31, 2014

ASSETS

Current Assets		
Cash and Cash Equivalents	\$ 102,684.55	
Prepaid Excise Tax	<u>54,000.00</u>	
Total Current Assets		156,684.55
Non-Current Assets		
Investments	<u>1,200,620.19</u>	
Total Non-Current Assets		1,200,620.19
Fixed Assets		
Furniture & Equipment	9,727.18	
Accumulated Depreciation	<u>(9,727.18)</u>	
Total Fixed Assets		<u>0.00</u>
 TOTAL ASSETS		 <u>\$1,357,304.74</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Net Assets		
Net Assets	\$ <u>1,357,304.74</u>	
Total Net Assets		<u>1,357,304.74</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u>\$1,357,304.74</u>

See accompanying notes.

Isla Carroll Turner Friendship Trust  
Statement of Revenues and Expenses - Cash Basis  
December 31, 2014

Revenues	
Dividends - Exxon Stock	\$1,582,942.50
Dividends - Salient Trust Company Investments	<u>28,423.55</u>
Total Revenues	1,611,366.05
Operating Expenses	
Grants Paid	2,580,000.00
Insurance	11,768.07
Professional Fees	24,615.50
Office Expense	10,811.03
Rent	20,743.89
Trustee Fees	600.00
Wages and Salaries	78,250.08
Payroll Taxes	6,161.76
Investment Advisory Fees	<u>57,827.23</u>
Total Expenses	<u>2,790,777.56</u>
Other Revenues and Expenses	
Net Gain/(Loss) - Investment Securities	1,246,298.58
Interest Income	25.20
Taxes - Federal Excise	<u>(48,923.00)</u>
Total Other Revenues and Expenses	<u>1,197,400.78</u>
Excess (Deficit) of Revenues Over Expenses	<u>\$ 17,989.27</u>

See accompanying notes.

Isla Carroll Turner Friendship Trust  
Statement of Changes in Net Assets - Cash Basis  
December 31, 2014

	Charitable Income	Restricted	Total
Balance, January 1, 2014	\$ (81,131.13)	\$ 1,420,446.60	\$ 1,339,315.47
Excess (Deficit) of Revenues Over Expenses	17,989.27	-	17,989.27
Balance, December 31, 2014	<u>\$ (63,141.86)</u>	<u>\$ 1,420,446.60</u>	<u>\$ 1,357,304.74</u>

See accompanying notes.

Isla Carroll Turner Friendship Trust  
Notes to Financial Statements  
December 31, 2014

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, 2014, the Trust was liable for excise tax in the amount of \$27,876.00.

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, 2014, the investment securities had a market value of \$53,624,936.75.

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, 2014, the future minimum lease payments under the sharing arrangement were as follows:

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>\$ 169,395.00</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 2014 was \$20,743.89.

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 20, 2015, 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 2012 and 2013 remain subject to examination.

## **SUPPLEMENTARY INFORMATION**

**Daniel P. McGuire, P.C.**  
**Certified Public Accountant**  
**10497 Town & Country Way, Suite 520**  
**Houston, Texas 77024**  
**Tel. No. (713) 932-0409**  
**Fax No. (713) 932-0425**

**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, 2014 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 2014 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.



Houston, Texas  
August 4, 2015

Isla Carroll Turner Friendship Trust  
Schedule of Grants and Commitment Payments for 2014

Grantee	Paid
All Saints Parish	\$ 40,000.00
Alzheimer's Association Houston and Southeast Texas Chapter	50,000.00
Archdiocese of Galveston-Houston	500,000.00
Austin Habitat for Humanity	50,000.00
Baylor College of Medicine	50,000.00
Bering Omega Community Services	25,000.00
Briarwood/Brookwood, Inc.	100,000.00
Capital Area Food Bank of Texas, Inc.	20,000.00
Care Communities, The	25,000.00
Cathedral Health & Outreach Ministries	30,000.00
Catholic Charities of the Archdiocese	25,000.00
CHRISTUS Foundation for Healthcare	50,000.00
Clarewood House	50,000.00
W. Leo Daniels Towers	15,000.00
Depression and Bipolar Support Alliance of Greater Houston	15,000.00
Dominican Sisters of Houston, Texas, Inc.	30,000.00
Easter Seals of Greater Houston	25,000.00
Eden Home, Inc.	50,000.00
Fort Bend Seniors Meals On Wheels and Much Much More	25,000.00
Friends for Life	20,000.00
Golden Age Hobby House of Houston, Inc.	60,000.00
Golden Rule Broadcasting, Inc.	25,000.00
Good Samaritan Foundation	75,000.00
Halo House Foundation	25,000.00
Houston Aphasia Recovery Center	15,000.00
Houston Area Parkinson Society	75,000.00
Houston Habitat for Humanity	140,000.00
Houston Hospice	50,000.00
Houston's Amazing Place, Inc.	60,000.00
Interfaith Care Partners	25,000.00
Interfaith Caring Ministries, Inc.	40,000.00
Interfaith Ministries for Greater Houston	40,000.00
Missions of Yahweh, Inc.	40,000.00
New Hope Housing	50,000.00
Nixon Home Care, Inc.	75,000.00
Northwest Assistance Ministries	40,000.00
Project MEND	5,000.00
Rebuilding Together - Houston	50,000.00
Rose, The	25,000.00
St. Dominic Village	100,000.00
St. James House of Baytown	75,000.00
San Antonio Lighthouse for the Blind	15,000.00
Seven Acres Jewish Senior Care Services, Inc.	50,000.00
Southeast Area Ministries	35,000.00

Isla Carroll Turner Friendship Trust  
Schedule of Grants and Commitment Payments for 2014

Grantee	Paid
Stilwell Retirement Residence	35,000.00
Tellepsen Family Downtown YMCA	25,000.00
University of Houston	65,000.00
Volunteer Interfaith Caregivers, Southwest	15,000.00
Waller Assistance and Restoration Ministries, Inc.	20,000.00
Wheeler Avenue 5C's, Inc.	35,000.00
2014 Grants and Commitment Payments	<u>\$ 2,580,000.00</u>