

**Isla Carroll Turner Friendship Trust**

Financial Statements – Modified Cash Basis  
and Independent Auditors' Report  
for the years ended December 31, 2016 and 2015

# Isla Carroll Turner Friendship Trust

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## Independent Auditors' Report

To the Board of Trustees of  
Isla Carroll Turner Friendship Trust:

We have audited the accompanying financial statements of Isla Carroll Turner Friendship Trust, which comprise the statements of assets and net assets – modified cash basis as of December 31, 2016 and 2015 and the related statements of revenue and expenses – modified cash basis and of cash flows – modified cash basis for the years then ended, 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 modified cash basis of accounting as 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 also is 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.

### Auditors' 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 our audits 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 auditors' 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 and net assets of Isla Carroll Turner Friendship Trust as of December 31, 2016 and 2015 and its revenue, expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting.

## **Basis of Accounting**

As described in Note 1, these 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.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the schedule of grants paid during the year ended December 31, 2016 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 our audits 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.

*Blazek & Vetterling*

September 12, 2017

## Isla Carroll Turner Friendship Trust

Statements of Assets and Net Assets – Modified Cash Basis as of December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 188,544	\$ 74,109
Investments, at cost ( <i>Note 2</i> ):		
Equity securities – common stock	1,143,696	1,155,036
Money market mutual funds	45,140	59,468
Prepaid excise tax and other assets	<u>2,807</u>	<u>17,521</u>
TOTAL ASSETS	<u>\$ 1,380,187</u>	<u>\$ 1,306,134</u>
NET ASSETS		
Unrestricted net assets	<u>\$ 1,380,187</u>	<u>\$ 1,306,134</u>
TOTAL NET ASSETS	<u>\$ 1,380,187</u>	<u>\$ 1,306,134</u>

*See accompanying notes to financial statements.*

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## Isla Carroll Turner Friendship Trust

### Statements of Revenue and Expenses – Modified Cash Basis for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Interest and dividends	\$ 1,650,150	\$ 1,679,087
Realized gain on sale of investments	<u>639,092</u>	<u>2,241,098</u>
Total revenue	<u>2,289,242</u>	<u>3,920,185</u>
EXPENSES:		
Grants made	1,965,000	3,699,200
Salaries and related costs	97,426	95,248
Investment custodial and management fees	47,342	47,520
Federal excise tax ( <i>Note 3</i> )	44,630	66,479
Office rent	25,268	23,891
Other professional fees	20,845	23,335
Other	<u>14,678</u>	<u>15,684</u>
Total expenses	<u>2,215,189</u>	<u>3,971,357</u>
CHANGES IN UNRESTRICTED NET ASSETS	74,053	(51,172)
Unrestricted net assets, beginning of year	<u>1,306,134</u>	<u>1,357,306</u>
Unrestricted net assets, end of year	<u>\$ 1,380,187</u>	<u>\$ 1,306,134</u>

*See accompanying notes to financial statements.*

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## Isla Carroll Turner Friendship Trust

### Statements of Cash Flows – Modified Cash Basis for the years ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 74,053	\$ (51,172)
Adjustments to reconcile changes in unrestricted net assets to net cash used by operating activities:		
Realized gain on sale of investments	(639,092)	(2,241,098)
Changes in prepaid excise tax and other assets	<u>14,714</u>	<u>36,479</u>
Net cash used by operating activities	<u>(550,325)</u>	<u>(2,255,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	650,432	2,286,683
Net change in money market mutual funds held as investments	<u>14,328</u>	<u>(48,207)</u>
Net cash provided by investing activities	<u>664,760</u>	<u>2,238,476</u>
NET CHANGE IN CASH	114,435	(17,315)
Cash, beginning of year	<u>74,109</u>	<u>91,424</u>
Cash, end of year	<u>\$ 188,544</u>	<u>\$ 74,109</u>
<i>Supplemental disclosure of cash flow information:</i>		
Federal excise tax paid	\$30,000	\$30,000

*See accompanying notes to financial statements.*

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## Isla Carroll Turner Friendship Trust

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Isla Carroll Turner Friendship Trust (the Trust) was established in 1956 by Isla Carroll Sterling Turner. The Trust provides grants to charitable organizations for the purpose of assisting the elderly and older adults with Down’s Syndrome in the State of Texas.

Basis of presentation – The Trust’s financial statements are presented in accordance with the modified cash basis of accounting. This method of accounting differs from generally accepted accounting principles primarily in that revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. The Trust recognizes an asset or liability for federal excise tax in the tax year that it arises.

Federal income tax status – The Trust is a §4947(a)(1) non-exempt charitable trust, which is treated as a private foundation for federal tax purposes. The Trust is exempt from federal income tax but is subject to federal excise tax on net investment income, as defined by federal tax laws.

Investments are reported at cost. Realized gains and losses on sales of investments are computed using the first-in, first-out method.

Net asset classification – Revenue and the related net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation. All of the Trust’s net assets are unrestricted in that they are available to support the broad purpose of the Trust.

Grants made are recognized as expenses when paid by the Trust.

Functional expenses – The expenses of the Trust are summarized on a natural basis in the statements of revenue and expenses. In 2016 and 2015, approximately 94% and 96%, respectively, of the Trust’s expenses relate to the grant program and 6% and 4%, respectively, relate to management and general.

### NOTE 2 – INVESTMENTS

Investments in common stock are with two corporate holdings and have a fair value of \$49,277,713 and \$43,133,089 at December 31, 2016 and 2015, respectively. The fair value is based on the closing prices reported on the active market on which the individual securities are traded. One of the Trust’s two holdings comprise 98% of the total fair value of common stock at December 31, 2016 and 2015.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the fair value amounts in this disclosure.

### **NOTE 3 – FEDERAL EXCISE TAX**

The Code imposes an excise tax on private foundations equal to 2% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax is reduced to 1% for private foundations that meet certain distribution requirements. The Trust computed its provision for federal excise tax at the rate of 2% in 2016 and 1% in 2015.

Internal Revenue Code §4942 requires that the Trust annually make qualifying charitable distributions of approximately 5% of the fair value of noncharitable assets during the prior year reduced by acquisition indebtedness, if any, with respect to such assets. Such qualifying distributions must be made by the end of the succeeding taxable year in order to avoid the imposition of a 30% federal excise tax on any undistributed income. The Trust is currently in compliance with these provisions and is not subject to this federal excise tax on undistributed income.

The Trust believes that it has appropriate support for the federal excise tax positions taken and, as such, does not have any uncertain tax positions that could result in a material impact on the Trust's financial statements.

### **NOTE 4 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 12, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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## Isla Carroll Turner Friendship Trust

Schedule of Grants Paid during the year ended December 31, 2016

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<u>Grantee</u>	<u>Amount Paid</u>
All Saints Catholic Community	\$ 50,000
Alzheimer's Association Houston and Southeast Texas Chapter	50,000
Cathedral Health and Outreach Ministries	35,000
Catholic Charities of the Archdiocese of Galveston-Houston	50,000
Centro Familiar Cristiano, Inc.	10,000
Chinese Community Center, Inc.	20,000
CHRISTUS Foundation for HealthCare	50,000
Clarewood House	50,000
Depression & Bipolar Support Alliance of Greater Houston	15,000
Dominican Sisters of Houston, Texas, Inc.	20,000
East Texas Food Bank, Regional	20,000
Evelyn Rubenstein Jewish Community Center of Houston	10,000
Family Service Center at Houston and Harris County	15,000
Foundation for the Retarded (The Center)	50,000
Galveston County Food Bank (formerly Gleanings from The Harvest for Galveston, Inc.)	35,000
Golden Age Hobby House of Houston, Inc.	65,000
Golden Rule Broadcasting	25,000
Good Samaritan Foundation of Texas, Inc.	60,000
Houston Aphasia Recovery Center	20,000
Houston Area Parkinson Society	75,000
Houston Habitat for Humanity	100,000
Houston Hospice	50,000
Houston's Amazing Place, Inc.	60,000
Interfaith CarePartners	25,000
Interfaith Caring Ministries	40,000
Interfaith Ministries for Greater Houston	60,000
Meals on Wheels and More, Inc.	10,000
Metroport Meals on Wheels, Inc.	15,000
Missions of Yahweh, Inc., The	50,000
Montgomery County Food Bank	20,000
Montrose Counseling Center, Inc.	40,000
New Hope Housing	50,000
Nixon Home Care, Inc.	75,000
Northwest Assistance Ministries	50,000
Parker County Committee on Aging	15,000
Precinct2gether, Inc.	30,000
Rebuilding Together – Houston	75,000
Rose, The	25,000
St. Dominic Village	100,000

(continued)

## Isla Carroll Turner Friendship Trust

Schedule of Grants Paid during the year ended December 31, 2016

*(continued)*

<b><u>Grantee</u></b>	<b><u>Amount Paid</u></b>
Seven Acres Jewish Senior Care Services, Inc.	50,000
Southeast Area Ministries	35,000
The Salvation Army, Houston Area Command, A Georgia Corporation	25,000
Turning Point Center	20,000
University of Houston	65,000
Vita-Living, Inc.	40,000
Volunteer Interfaith Caregivers, Southwest	15,000
W. Leo Daniels Tower, Inc.	40,000
Wheeler Avenue 5C's, Inc.	35,000
YMCA of Greater Houston, Tellepsen Family Downtown	<u>25,000</u>
Total grants paid	<u>\$ 1,965,000</u>