

Isla Carroll Turner Friendship Trust

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

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 statement of assets and net assets – modified cash basis as of December 31, 2015 and the related statements of revenue and expenses – modified cash basis and of cash flows – modified cash basis for the year 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 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 our 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 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, 2015 and its revenue, expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

As described in Note 1, these financial statements are prepared using 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the schedule of grants and commitments paid during the year ended December 31, 2015 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 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.

Blazek & Vetterling

March 29, 2017

Isla Carroll Turner Friendship Trust

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

ASSETS

Cash	\$ 74,109
Investments, at cost (<i>Note 2</i>):	
Equity securities – common stock	1,155,036
Money market mutual funds	59,468
Prepaid excise taxes	<u>17,521</u>
TOTAL ASSETS	<u>\$ 1,306,134</u>

NET ASSETS

Unrestricted net assets	<u>\$ 1,306,134</u>
TOTAL NET ASSETS	<u>\$ 1,306,134</u>

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Statement of Revenue and Expenses – Modified Cash Basis for the year ended December 31, 2015

REVENUE:

Interest and dividends	\$ 1,679,087
Net realized gain on sale of investments	<u>2,241,098</u>
Total revenue	<u>3,920,185</u>

EXPENSES:

Grants and commitments paid	3,699,200
Salaries and related costs	95,248
Federal excise tax (<i>Note 3</i>)	66,479
Investment custodial and management fees	47,520
Office rent	23,891
Other professional fees	23,335
Other	<u>15,684</u>
Total expenses	<u>3,971,357</u>

CHANGES IN NET ASSETS (51,172)

Unrestricted net assets, beginning of year	<u>1,357,306</u>
Unrestricted net assets, end of year	<u>\$ 1,306,134</u>

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Statement of Cash Flows – Modified Cash Basis for the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in unrestricted net assets	\$ (51,172)
Adjustments to reconcile changes in unrestricted net assets to net cash used by operating activities:	
Net realized gain on sale of investments	(2,241,098)
Changes in prepaid excise taxes	<u>36,479</u>
Net cash used by operating activities	<u>(2,255,791)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Sales of investments	2,286,683
Net change in money market mutual funds held as investments	<u>(48,207)</u>
Net cash provided by investing activities	<u>2,238,476</u>

NET CHANGE IN CASH (17,315)

Cash, beginning of year 91,424

Cash, end of year \$ 74,109

Supplemental disclosure of cash flow information:

Federal excise tax paid \$30,000

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Notes to Financial Statements for the year ended December 31, 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Isla Carroll Turner Friendship Trust (the Trust) was established in 1956 by Isla Carroll Turner. The Trust provides grants to charitable organizations for the purpose of assisting the elderly in the State of Texas.

Basis of presentation – The accompanying 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 exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a private foundation. As a private foundation, the Trust 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 and commitments are recognized as expenses when paid by the Trust.

Functional expenses – The expenses of the Trust are summarized on a natural basis in the statement of revenue and expenses – modified cash basis. The Trust estimates that approximately 96% of expenses relate to the grant program and 4% relate to management and general activities.

NOTE 2 – INVESTMENTS

Investments in common stock have a fair value of \$43,133,089 at December 31, 2015 valued at the closing price 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.

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. In 2015, the Trust computed its provision for federal excise tax at the rate of 1%.

The Trust's federal excise tax expense activity for the year ended December 31, 2015 is as follows:

Federal excise tax applicable to 2015	\$ 38,603
Federal excise tax applicable to 2014	<u>27,876</u>
Total federal excise tax expense	<u>\$ 66,479</u>

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 March 29, 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.

Isla Carroll Turner Friendship Trust

Schedule of grants and commitments paid during the year ended December 31, 2015

<u>Grantee</u>	<u>Amount Paid</u>
Adult Enrichment Center, Inc.	\$ 20,000
All Saints Catholic Community	60,000
Alzheimer's Association Houston and Southeast Texas Chapter	60,000
Archdiocese of Galveston-Houston	150,000
Austin Habitat for Humanity	75,000
Baylor College of Medicine	50,000
Bering Omega Community Services	25,000
Briarwood/Brookwood, Inc. (The Brookwood Community)	100,000
Bulverde Senior Center	25,000
Camp for All	25,000
Camp Summit, Inc.	25,000
Care Communities, The	25,000
Cathedral Health & Outreach Ministries	35,000
Catholic Charities of the Archdiocese of Galveston-Houston	50,000
Centro Familiar Cristiano, Inc.	9,000
Chinese Community Center, Inc.	20,000
Christian Senior Services	10,000
CHRISTUS Foundation for HealthCare	75,000
Clarewood House	50,000
Comal County Senior Citizens' Foundation	30,000
Covenant Health Foundation	5,000
Depression & Bipolar Support Alliance of Greater Houston	25,000
Dominican Sisters of Houston, Texas, Inc.	25,000
Easter Seals – Central Texas, Inc.	25,000
Easter Seals of Greater Houston	25,000
East Texas Food Bank, Regional	20,000
Eden Home, Inc.	50,000
El Paso Diabetes Association, Inc.	25,000
Faith in Action Georgetown	10,000
Family Eldercare, Inc.	30,000
Family Services Association of San Antonio, Inc.	10,000
Family Service Center at Houston and Harris County	15,000
Fort Bend Senior Citizens Meals on Wheels and Much, Much More, Inc.	225,000
Foundation for the Retarded (The Center)	50,000
Friends for Life	20,000
Friends of Santa Rosa Foundation	46,000
Galveston County Food Bank (formerly Gleanings from The Harvest for Galveston, Inc.)	50,000
Golden Age Hobby House of Houston, Inc.	65,000
Golden Rule Broadcasting	25,000
Gold Tone Senior Citizen Choir	5,200
Habitat for Humanity of Smith County	14,000

(continued)

Isla Carroll Turner Friendship Trust

Schedule of grants and commitments paid during the year ended December 31, 2015 *(continued)*

<u>Grantee</u>	<u>Amount Paid</u>
Helping the Aging, Needy and Disabled (HAND)	25,000
Houston Area Parkinson Society	75,000
Houston Habitat for Humanity	350,000
Houston Hospice	50,000
Houston's Amazing Place, Inc.	100,000
Interfaith CarePartners	50,000
Interfaith Caring Ministries	40,000
Interfaith Ministries for Greater Houston	60,000
Jefferson County Adult Day Center, Inc.	15,000
Meals on Wheels and More, Inc.	10,000
Meals on Wheels, Inc. of Tarrant County	10,000
Meals on Wheels Ministry, Inc.	15,000
Metroport Meals on Wheels, Inc.	15,000
Missions of Yahweh, Inc., The	50,000
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	10,000
Precinct2gether, Inc.	30,000
Project Mend	10,000
Rebuilding Together – Houston	150,000
Rose, The	50,000
Rubenstein Jewish Community Center of Houston, Evelyn	50,000
St. Dominic Village	100,000
St. James House of Baytown	75,000
Salvation Army, Houston Area Command, A Georgia Corporation, The	25,000
Seven Acres Jewish Senior Care Services, Inc.	50,000
Southeast Area Ministries	35,000
Stilwell Retirement Residence (Texas Retired Teachers Residence Corporation)	35,000
Texas Diaper Bank	10,000
Texas Ramp Project	20,000
Turning Point Center	20,000
University of Houston	75,000
Vita-Living, Inc.	40,000
Volunteer Interfaith Caregivers, Southwest	15,000
Washington County Healthy Living Association	30,000
Wesley Community Center	20,000
Wheeler Avenue 5C's, Inc.	35,000
YMCA of Greater Houston for Tellepsen Family DT YMCA	50,000
Total grants and commitments paid	<u>\$ 3,699,200</u>