

TURKISH PHILANTHROPIC FUND

FINANCIAL STATEMENTS

JUNE 30, 2009

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**Kelly, Lee &
Company L.L.C.**

A Certified Public Accounting Firm

Kenneth J. Kelly, CPA
Robert E. Lee, CPA

Member Firm
American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Turkish Philanthropic Fund
1036 Park Ave, Suite 15A
New York, NY 10028

We have audited the accompanying statements of financial position of Turkish Philanthropic Fund (a Delaware not-for-profit corporation) as of June 30, 2009 and 2008 and the related statements of activities, cash flows, and statements of functional expenses for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the June 30, 2009 and 2008 financial statements referred to above present fairly, in all material respects, the financial position of Turkish Philanthropic Fund as of June 30, 2009 and 2008 and the changes in its net assets, its cash flows, and its statements of functional expenses for the years then ended, are in conformity with accounting principles generally accepted in the United States of America.

Monroe Twp., New Jersey
October 7, 2009


KELLY, LEE & COMPANY, LLC

TURKISH PHILANTHROPIC FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	<u>ASSETS</u>		<u>2009</u>		<u>2008</u>
Asset:					
Cash and cash equivalents		\$	3,074,763	\$	1,458,154
Investments, at fair market value			582,370		-
Unconditional promises to give, net of allowance for uncollectible pledges of \$10,000 and \$0, respectively			<u>186,230</u>		<u>-</u>
TOTAL ASSETS		\$	<u>3,843,363</u>	\$	<u>1,458,154</u>
 <u>LIABILITIES AND NET ASSETS</u> 					
Liabilities:					
Accrued expenses		\$	11,370	\$	5,000
Grants payable			<u>27,725</u>		<u>20,000</u>
Total Liabilities			<u>39,095</u>		<u>25,000</u>
Net Assets:					
Permanently restricted			1,268,425		220,000
Unrestricted			<u>2,535,843</u>		<u>1,213,154</u>
Total Net Assets			<u>3,804,268</u>		<u>1,433,154</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>3,843,363</u>	\$	<u>1,458,154</u>

See auditors' report and accompanying notes to financial statements

TURKISH PHILANTHROPIC FUND
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
Revenue, losses, and other support:				
Donations & grants	\$ 2,342,191	\$ 1,048,425	\$ 3,390,616	\$ 1,592,081
Interest and dividend income	20,537	-	20,537	6,781
Unrealized and realized gains (losses) on investments				
Realized gains (losses)	38,753	-	38,753	-
Unrealized gains (losses)	(1,345)	-	(1,345)	-
Net assets released from temporarily restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>2,400,136</u>	<u>1,048,425</u>	<u>3,448,561</u>	<u>1,598,862</u>
Expenses:				
Program services	900,495	-	900,495	111,000
Supporting services				
General & administrative	169,758	-	169,758	53,532
Fundraising activities	<u>7,194</u>	<u>-</u>	<u>7,194</u>	<u>1,176</u>
Total expenses	<u>1,077,447</u>	<u>-</u>	<u>1,077,447</u>	<u>165,708</u>
Changes in net assets	1,322,689	1,048,425	2,371,114	1,433,154
Net assets, beginning	<u>1,213,154</u>	<u>220,000</u>	<u>1,433,154</u>	<u>-</u>
Net assets, ending	<u>\$ 2,535,843</u>	<u>\$ 1,268,425</u>	<u>\$ 3,804,268</u>	<u>\$ 1,433,154</u>

See auditors' report and accompanying notes to financial statements



TURKISH PHILANTHROPIC FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 2,371,114	\$ 1,433,154
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Receipts from permanently restricted contributions	(1,048,425)	-
Net unrealized and realized (gains) losses on investments	(37,408)	-
Allowance for uncollectible pledges	10,000	
Changes in Assets and Liabilities:		
(Increase) decrease in Unconditional Promises to Give	(196,230)	-
(Decrease) increase in Accrued Expenses	6,370	5,000
(Decrease) increase in Grants Payable	7,725	20,000
Total Adjustments	<u>(1,257,968)</u>	<u>25,000</u>
Net Cash Provided (Used) by Operating Activities	<u>1,113,146</u>	<u>1,458,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	685,045	-
Cost basis of investments purchased and donated	<u>(1,230,007)</u>	-
Cash flow provided (used) by investing activities	<u>(544,962)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from permanently restricted contributions	<u>1,048,425</u>	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,616,609	1,458,154
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,458,154</u>	-
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,074,763</u>	<u>\$ 1,458,154</u>

See auditors' report and accompanying notes to financial statements

TURKISH PHILANTHROPIC FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	Program Services		Supporting Services		Total 2009	Total 2008
	Foundation Activities	Management and General	Fundraising Activities			
Grants	\$ 897,495	\$ -	\$ -		\$ 897,495	\$ 111,000
Consultants and administration	2,000	95,200	-		97,200	32,600
Professional fees	-	23,352	-		23,352	10,413
Rent	-	20,000	-		20,000	-
Events & meetings	-	-	6,941		6,941	7,040
Travel	1,000	6,311	-		7,311	3,111
Insurance	-	3,198	-		3,198	1,198
Office expenses	-	7,856	-		7,856	-
Provision for uncollectible pledges	-	10,000	-		10,000	-
Miscellaneous	-	3,841	253		4,094	346
	<u>\$ 900,495</u>	<u>\$ 169,758</u>	<u>\$ 7,194</u>		<u>\$ 1,077,447</u>	<u>\$ 165,708</u>

See auditors' report and accompanying notes to financial statements

TURKISH PHILANTHROPIC FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) NATURE OF ORGANIZATION AND TAX STATUS

Turkish Philanthropic Fund (the Fund) is a not-for-profit charitable organization incorporated on February 1, 2007 in the State of Delaware. The Fund was established for the purpose of enabling individuals, corporations, trusts and other entities, to make charitable contributions for the philanthropic support of programs and/or organizations in Turkey and in the United States.

The Fund has received a letter of determination from the Internal Revenue Service stating that it is exempt from Federal income taxes under Section 501c (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. METHOD OF ACCOUNTING

The financial statements of the Fund have been prepared utilizing the accrual basis of accounting.

Not-for-Profit Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and support received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

b. CONTRIBUTIONS

The organization accounts for donations in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions consist of outright cash gifts received by the organization during the fiscal year and unconditional promises to give (over current and future years) made throughout the year. Unconditional promises to give are recorded at the time of the pledge.

c. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

d. INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

TURKISH PHILANTHROPIC FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on both the straight-line and accelerated methods over the estimated useful lives of the assets. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings. Expenditures for maintenance, repairs and improvements which do not materially extend the useful lives of the assets are charged to expenses.

f. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and supporting services have been summarized on a functional basis in the Combining Statements of Functional Expenses. Accordingly, certain costs have been allocated between the programs and supporting services.

g. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements.

(3) CONCENTRATION OF CREDIT RISK

The Fund maintains bank accounts at two institutions. Accounts at one of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of FDIC limits was \$2,574,762 at June 30, 2009. The institutions also maintain private insurance (SIPC and Lloyd's of London) with coverage on cash balances of \$1 million, and participated in the U.S. Treasury Temporary Guarantee Program for Money Funds. The cash balance in excess of the FDIC, private insurance, and Government Program limits was \$1,011,217 at June 30, 2009.

U.S. Treasury Temporary Guarantee Program for Money Funds expired on September 18, 2009. The additional amount insured by this program at June 30, 2009 was \$608,723.

(4) UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>6/30/09</u>	<u>6/30/08</u>
Unrestricted, payable within one year	\$ 22,500	\$ 0
Restricted, payable within one year	12,500	0
Unrestricted, payable between two and five years	114,405	0
Restricted, payable between two and five years	<u>46,825</u>	<u>0</u>
	196,230	0
Less: Allowance for doubtful collection	<u>(10,000)</u>	<u>0</u>
	<u>\$186,230</u>	<u>\$ 0</u>



TURKISH PHILANTHROPIC FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(4) UNCONDITIONAL PROMISES TO GIVE (continued)

Unconditional promises to give payable between two and five years are discounted at an annual rate of 3 ½ %. The discounted amount at June 30, 2009 was \$18,770. An allowance for uncollectible promises has been established based on management's expectation of collectability.

(5) ECONOMIC DEPENDENCY

The Fund receives the majority of its support from a small number of loyal contributors and board members. The Fund's mission relies on the continued support from these individuals.

(6) INVESTMENTS

Investments are presented in the combined financial statements at fair market value. Investments as of June 30, 2009 consist of the following:

<u>Description</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (loss)</u>
Fixed income funds	\$ 96,836	\$ 95,234	\$ 1,602
Equities and equity funds	345,628	346,981	(1,353)
Commodity funds	<u>139,906</u>	<u>141,501</u>	<u>1,595</u>
Total	<u>\$582,370</u>	<u>\$583,716</u>	<u>\$(1,346)</u>

(7) RELATED PARTY TRANSACTIONS

The Fund receives administrative support from an entity related to a member of the Board of Directors. The company paid this related party \$90,565 in the fiscal year ending June 30, 2009.

(8) SUBSEQUENT EVENT

On September 4, 2009, the Fund formally changed its name from "Turkish Philanthropic Fund, Inc." to "Turkish Philanthropy Funds, Inc."