

TURKISH PHILANTHROPY FUNDS, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2012 and 2011

and

Independent Auditors' Report

TURKISH PHILANTHROPY FUNDS, INC.

**Financial Statements
As of June 30, 2012 and 2011**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 – 8

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Turkish Philanthropy Funds, Inc.
216 East 45th Street, 7th Floor
New York, NY 10017

We have audited the accompanying statements of financial position of Turkish Philanthropy Funds, Inc. ("TPF") as of June 30, 2012 and 2011 and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the TPF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TPF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TPF as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dadia Valles Vendiola LLP

Elmhurst, New York
July 31, 2012

TURKISH PHILANTHROPY FUNDS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 1,849,788	\$ 1,284,638
Investments, at fair values	2,381,005	2,171,225
Unconditional promise to give	-	24,125
Other receivables	15,000	-
Real estate property	<u>750,000</u>	<u>750,000</u>
TOTAL ASSETS	<u>\$ 4,995,793</u>	<u>\$ 4,229,988</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Grants payable	\$ -	\$ 3,557
Accounts payable and accrued expenses	1,069	2,430
Unearned rental income	<u>12,000</u>	<u>30,000</u>
Total liabilities	<u>13,069</u>	<u>35,987</u>
Net Assets:		
Unrestricted	2,343,459	2,212,215
Temporarily restricted	644,217	559,500
Permanently restricted	<u>1,995,048</u>	<u>1,422,286</u>
Total net assets	<u>4,982,724</u>	<u>4,194,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,995,793</u>	<u>\$ 4,229,988</u>

See notes to financial statements.

TURKISH PHILANTHROPY FUNDS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
Revenue and support:				
Contributions and grants	\$ 1,072,334	\$ 84,717	\$ 572,762	\$ 1,729,813
Investment income	74,200	-	-	74,200
Fees and miscellaneous	32,000	-	-	32,000
Unrealized and realized gains (losses) on investments:				
Realized gains (losses)	38,615	-	-	38,615
Unrealized gains (losses)	(25,170)	-	-	(25,170)
Total revenue and support	<u>1,191,979</u>	<u>84,717</u>	<u>572,762</u>	<u>1,849,458</u>
Expenses:				
Grants and services to charitable organizations	789,098	-	-	789,098
Support services:				
Management and general	262,081	-	-	262,081
Fundraising	9,556	-	-	9,556
Total support services	<u>271,637</u>	<u>-</u>	<u>-</u>	<u>271,637</u>
Total expenses	<u>1,060,735</u>	<u>-</u>	<u>-</u>	<u>1,060,735</u>
Increase (decrease) in net assets	131,244	84,717	572,762	788,723
Net assets at beginning of year	<u>2,212,215</u>	<u>559,500</u>	<u>1,422,286</u>	<u>4,194,001</u>
Net assets at end of year	<u>\$ 2,343,459</u>	<u>\$ 644,217</u>	<u>\$ 1,995,048</u>	<u>\$ 4,982,724</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Revenue and support:				
Contributions and grants	\$ 208,329	\$ 559,500	\$ 71,236	\$ 839,065
Investment income	133,403	-	-	133,403
Fees and miscellaneous	38,131	-	-	38,131
Unrealized and realized gains (losses) on investments:				
Realized gains (losses)	118,528	-	-	118,528
Unrealized gains (losses)	(9,186)	-	-	(9,186)
Realized gain on stock gifts	-	-	-	-
Total revenue and support	<u>489,205</u>	<u>559,500</u>	<u>71,236</u>	<u>1,119,941</u>
Expenses:				
Grants and services to charitable organizations	8,711,673	-	-	8,711,673
Support services:				
Management and general	179,580	-	-	179,580
Fundraising	6,710	-	-	6,710
Total support services	<u>186,290</u>	<u>-</u>	<u>-</u>	<u>186,290</u>
Total expenses	<u>8,897,963</u>	<u>-</u>	<u>-</u>	<u>8,897,963</u>
Increase (decrease) in net assets	(8,408,758)	559,500	71,236	(7,778,022)
Net assets at beginning of year	<u>10,620,973</u>	<u>-</u>	<u>1,351,050</u>	<u>11,972,023</u>
Net assets at end of year	<u>\$ 2,212,215</u>	<u>\$ 559,500</u>	<u>\$ 1,422,286</u>	<u>\$ 4,194,001</u>

See notes to financial statements.

TURKISH PHILANTHROPY FUNDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 788,723	\$ (7,778,022)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Temporarily restricted contribution of real estate property	-	(559,500)
Receipts from permanently restricted contributions	(572,762)	(71,236)
Receipts from temporarily restricted contributions	(84,717)	-
Net unrealized and realized (gains) losses on investments	(13,445)	(109,342)
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	24,125	38,700
(Increase) decrease in other receivables	(15,000)	-
Increase (decrease) in grants payable	(3,557)	(4,168)
Increase (decrease) in accounts payable and accrued expenses	(1,361)	(7,795)
Increase (decrease) in unearned rental income	(18,000)	30,000
Total	<u>(684,717)</u>	<u>(683,341)</u>
Net cash provided (used) by operating activities	<u>104,006</u>	<u>(8,461,363)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,074,452	3,476,003
Purchase of investments	(1,270,787)	(3,378,407)
Payment as consideration for donated real estate property	-	(190,500)
Net cash provided (used) in investing activities	<u>(196,335)</u>	<u>(92,904)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Permanently restricted contributions	572,762	71,236
Temporarily restricted contributions	84,717	-
Net cash provided (used) in financing activities	<u>657,479</u>	<u>71,236</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	565,150	(8,483,031)
CASH AND CASH EQUIVALENTS, at Beginning of year	<u>1,284,638</u>	<u>9,767,669</u>
CASH AND CASH EQUIVALENTS, at End of year	<u>\$ 1,849,788</u>	<u>\$ 1,284,638</u>

See notes to financial statements.

TURKISH PHILANTHROPY FUNDS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Grants and Services to Charitable Organizations	Support Services		Total 2012
	Foundation Activities	Management and General	Fundraising Activities	
Grants	\$ 785,257	\$ -	\$ -	\$ 785,257
Consultants and administration	-	172,085	-	172,085
Professional fees	-	10,016	-	10,016
Rent	-	37,200	-	37,200
Events and meetings	-	-	9,556	9,556
Travel	3,841	-	-	3,841
Insurance	-	1,368	-	1,368
Office expenses	-	11,814	-	11,814
Marketing	-	18,562	-	18,562
Real-estate related expenses	-	280	-	280
Miscellaneous	-	10,756	-	10,756
TOTAL	\$ 789,098	\$ 262,081	\$ 9,556	\$ 1,060,735

	Grants and Services to Charitable Organizations	Support Services		Total 2011
	Foundation Activities	Management and General	Fundraising Activities	
Grants	\$ 8,703,464	\$ -	\$ -	\$ 8,703,464
Consultants and administration	-	106,857	-	106,857
Professional fees	-	12,593	-	12,593
Rent	-	26,934	-	26,934
Events and meetings	-	-	6,710	6,710
Travel	8,209	-	-	8,209
Insurance	-	1,218	-	1,218
Office expenses	-	6,135	-	6,135
Marketing	-	12,511	-	12,511
Real-estate related expenses	-	7,491	-	7,491
Miscellaneous	-	5,841	-	5,841
TOTAL	\$ 8,711,673	\$ 179,580	\$ 6,710	\$ 8,897,963

See notes to financial statements.

TURKISH PHILANTHROPY FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. NATURE OF ORGANIZATION

Turkish Philanthropy Funds, Inc. ("TPF") is a not-for-profit charitable organization incorporated on February 1, 2007 in the State of Delaware. TPF 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.

TPF administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) INCOME TAXES

The Internal Revenue Service (IRS) has determined that TPF is a not-for-profit organization and a public charity described in the Internal Revenue Code (IRC) Section 501(c)(3) and is therefore, exempt from taxation on income, other than unrelated taxable income, under IRC Section 501(a).

(b) BASIS OF PRESENTATION

The financial statements of TPF have been prepared on the accrual basis of accounting. These are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

(c) CONTRIBUTIONS

TPF accounts for contributions in accordance with FASB ASC 958-605, *Not-for-profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions with temporary restrictions that are received and used within the year are included in unrestricted activities. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

For the fiscal year ended June 30, 2012, TPF received a total of \$491,928 purpose-restricted contributions from donors, \$407,211 of which was released within the year and included in unrestricted support in the accompanying statements of activities.

TURKISH PHILANTHROPY FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

(d) GRANTS

Grants to charitable organizations are expensed with approval of the Board of Directors of TPF.

(e) CASH AND CASH EQUIVALENTS

TPF considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

(f) INVESTMENTS

Investments are stated at fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Purchases and sales of investments are recorded on a trade date basis.

(g) FAIR VALUE MEASUREMENTS – FASB ASC 820 – *Fair Value Measurements and Disclosures*, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. It also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

(h) FUNCTIONAL ALLOCATION OF EXPENSES

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

(i) USE OF ESTIMATES

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

TURKISH PHILANTHROPY FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

3. INVESTMENTS

Investments are stated at fair values as determined based on FASB ASC 820 described in Note 2 (g), as follows:

<u>Description</u>	Fair Value Using Unadjusted Quoted Market Prices (Level 1)	
	<u>6/30/2012</u>	<u>6/30/2011</u>
Fixed income funds	\$ 1,285,158	\$ 1,524,966
Equities and equity funds	647,945	379,807
Commodity fund	447,902	266,452
	<u>\$ 2,381,005</u>	<u>\$ 2,171,225</u>

4. REAL ESTATE PROPERTY

The real estate property consists of land and residential building at Rockport, Massachusetts which was donated to TPF in August 2010. The property has an appraised value of \$750,000 at the time of donation. TPF paid \$190,500 as bargain price consideration and recorded the difference of \$559,500 between the amount paid and the appraised value as temporarily restricted contribution. The property was leased back to the donor for intermittent periods totaling six months and three weeks from August 12, 2010 to August 31, 2012 at \$6,000 per month totaling \$40,500. Rent income pertaining to periods after June 30, 2011 is shown as unearned rental income in the statement of financial position. It is intended that the property will be donated to a target recipient after August 31, 2012.

5. ECONOMIC DEPENDANCY

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

6. CONCENTRATION OF CREDIT RISK

TPF maintains deposits at four institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) and Lloyd's of London.

7. SUBSEQUENT EVENTS

TPF has evaluated subsequent events through July 31, 2012, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the accompanying financial statements.