

**TURKISH PHILANTHROPY FUNDS, INC.**

**FINANCIAL STATEMENTS**

As of and for the Years Ended June 30, 2013 and 2012

and

Independent Auditors' Report

**TURKISH PHILANTHROPY FUNDS, INC.**

**Financial Statements  
June 30, 2013 and 2012**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Turkish Philanthropy Funds, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 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 the audits to obtain reasonable assurance about whether the financial statements are free of 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 financial position of Turkish Philanthropy Funds, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Dadia Valler Vondra Lff*

Elmhurst, New York  
July 17, 2013

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2013 AND 2012**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 2,200,178	\$ 1,849,788
Investments, at fair values	2,176,265	2,381,005
Other receivables	29,375	15,000
Real estate property	<u>750,000</u>	<u>750,000</u>
 TOTAL ASSETS	 <u>\$ 5,155,818</u>	 <u>\$ 4,995,793</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 24,030	\$ 1,069
Unearned rental income	<u>-</u>	<u>12,000</u>
 Total liabilities	 <u>24,030</u>	 <u>13,069</u>
Net Assets:		
Unrestricted	2,395,765	2,343,459
Temporarily restricted	680,028	644,217
Permanently restricted	<u>2,055,995</u>	<u>1,995,048</u>
 Total net assets	 <u>5,131,788</u>	 <u>4,982,724</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,155,818</u>	 <u>\$ 4,995,793</u>

See notes to financial statements.



**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Revenue and support:				
Contributions and grants	\$ 641,838	\$ 35,811	\$ 60,947	\$ 738,596
Investment income	121,277	-	-	121,277
Fees and miscellaneous	26,375	-	-	26,375
Unrealized and realized gains (losses) on investments:				
Realized gains (losses)	(70,867)	-	-	(70,867)
Unrealized gains (losses)	49,540	-	-	49,540
Total revenue and support	<u>768,163</u>	<u>35,811</u>	<u>60,947</u>	<u>864,921</u>
Expenses:				
Grants and services to charitable organizations	399,374	-	-	399,374
Support services:				
Management and general	312,272	-	-	312,272
Fundraising activities	4,211	-	-	4,211
Total support services	<u>316,483</u>	<u>-</u>	<u>-</u>	<u>316,483</u>
Total expenses	<u>715,857</u>	<u>-</u>	<u>-</u>	<u>715,857</u>
Increase (decrease) in net assets	52,306	35,811	60,947	149,064
Net assets at beginning of year	<u>2,343,459</u>	<u>644,217</u>	<u>1,995,048</u>	<u>4,982,724</u>
Net assets at end of year	<u>\$ 2,395,765</u>	<u>\$ 680,028</u>	<u>\$ 2,055,995</u>	<u>\$ 5,131,788</u>

  

	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 activities	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>

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Grants and Services to Charitable Organizations		Support Services		
	Foundation Activities	Management and General	Fundraising Activities	Total 2013	
Grants	\$ 371,612	\$ -	\$ -	\$ 371,612	
Consultants and administration	-	168,087	-	168,087	
Professional fees	-	13,443	-	13,443	
Rent	-	37,200	-	37,200	
Events and meetings	-	-	4,211	4,211	
Travel	27,762	-	-	27,762	
Insurance	-	1,604	-	1,604	
Office expenses	-	11,618	-	11,618	
Marketing	-	46,014	-	46,014	
Real-estate related expenses	-	22,817	-	22,817	
Miscellaneous	-	11,489	-	11,489	
<b>TOTAL</b>	<b>\$ 399,374</b>	<b>\$ 312,272</b>	<b>\$ 4,211</b>	<b>\$ 715,857</b>	

	Grants and Services to Charitable Organizations		Support Services		
	Foundation Activities	Management and General	Fundraising Activities	Total 2012	
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	
<b>TOTAL</b>	<b>\$ 789,098</b>	<b>\$ 262,081</b>	<b>\$ 9,556</b>	<b>\$ 1,060,735</b>	

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 149,064	\$ 788,723
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Receipts from permanently restricted contributions	(60,947)	(572,762)
Receipts from temporarily restricted contributions	(35,811)	(84,717)
Net unrealized and realized (gains) losses on investments	21,327	(13,445)
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	-	24,125
(Increase) decrease in other receivables	(14,375)	(15,000)
Increase (decrease) in grants payable	-	(3,557)
Increase (decrease) in accounts payable and accrued expenses	22,961	(1,361)
Increase (decrease) in unearned rental income	(12,000)	(18,000)
Total	<u>(78,845)</u>	<u>(684,717)</u>
Net cash provided by operating activities	<u>70,219</u>	<u>104,006</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,687,386	1,074,452
Purchase of investments	<u>(2,503,973)</u>	<u>(1,270,787)</u>
Net cash provided by (used in) investing activities	<u>183,413</u>	<u>(196,335)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Permanently restricted contributions	60,947	572,762
Temporarily restricted contributions	<u>35,811</u>	<u>84,717</u>
Net cash provided by financing activities	<u>96,758</u>	<u>657,479</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	350,390	565,150
CASH AND CASH EQUIVALENTS, at beginning of year	<u>1,849,788</u>	<u>1,284,638</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 2,200,178</u>	<u>\$ 1,849,788</u>

See notes to financial statements.



**TURKISH PHILANTHROPY FUNDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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*. Information regarding its financial position and activities are reported 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*. 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.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**  
*(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, 2013 AND 2012**  
*(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>6/30/2013</u>	<u>6/30/2012</u>
Fixed income funds	\$ 1,449,305	\$ 1,285,158
Equities and equity funds	726,960	647,945
Commodity fund	-	447,902
	<u>\$ 2,176,265</u>	<u>\$ 2,381,005</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. As of the report date, TPF has signed the purchase and sale agreement for the donated property equal to its original appraised value. The net proceeds from sale will be donated to a target recipient.

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 two 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 17, 2013, 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.