

**TURKISH PHILANTHROPY FUNDS, INC.**

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2011 and 2010

and

Independent Auditors' Report

**TURKISH PHILANTHROPY FUNDS, INC.**

**Financial Statements  
As of June 30, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Turkish Philanthropy Funds, Inc.  
1036 Park Ave., Suite 15A  
New York, NY 10028

We have audited the accompanying statements of financial position of Turkish Philanthropy Funds, Inc. ("TPF") as of June 30, 2011 and 2010 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, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of TPF as of June 30, 2011 and 2010 and its activities, cash flows, and functional expenses 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 27, 2011

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 1,284,638	\$ 9,767,669
Investments, at fair market value	2,171,225	2,159,479
Unconditional promise to give	24,125	62,825
Real estate property	<u>750,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,229,988</u>	<u>\$ 11,989,973</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants Payable	\$ 3,557	\$ 7,725
Accounts payable and accrued expenses	2,430	10,225
Unearned rental income	<u>30,000</u>	<u>-</u>
Total liabilities	<u>35,987</u>	<u>17,950</u>
Net Assets:		
Unrestricted	2,212,215	10,620,973
Temporarily restricted	559,500	-
Permanently restricted	<u>1,422,286</u>	<u>1,351,050</u>
Total net assets	<u>4,194,001</u>	<u>11,972,023</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,229,988</u>	<u>\$ 11,989,973</u>

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Revenue and support:					
Contributions and grants	\$ 208,329	\$ 559,500	\$ 71,236	\$ 839,065	\$ 8,468,270
Investment income	133,403	-	-	133,403	78,477
Fees and miscellaneous	38,131	-	-	38,131	21,980
Unrealized and realized gains (losses) on investments					
Realized gains (losses)	118,528	-	-	118,528	232,093
Unrealized gains (losses)	(9,186)	-	-	(9,186)	323,677
Realized gain on stock gifts	-	-	-	-	36
Total revenue and support	<u>489,205</u>	<u>559,500</u>	<u>71,236</u>	<u>1,119,941</u>	<u>9,124,533</u>
Expenses:					
Grants and services to charitable organizations	8,711,673	-	-	8,711,673	787,709
Support Services:					
General and administrative	179,580	-	-	179,580	166,905
Fundraising	6,710	-	-	6,710	2,164
Total support services	<u>186,290</u>	<u>-</u>	<u>-</u>	<u>186,290</u>	<u>169,069</u>
Total expenses	<u>8,897,963</u>	<u>-</u>	<u>-</u>	<u>8,897,963</u>	<u>956,778</u>
Increase (decrease) in net assets	(8,408,758)	559,500	71,236	(7,778,022)	8,167,755
Net assets at beginning of year	<u>10,620,973</u>	<u>-</u>	<u>1,351,050</u>	<u>11,972,023</u>	<u>3,804,268</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>	<u>\$ 11,972,023</u>

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (7,778,022)	\$ 8,167,755
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	(71,236)	(82,625)
Net unrealized and realized (gains) losses on investments	(109,342)	(555,806)
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	38,700	123,405
(Increase) decrease in other receivables	-	(1,145)
Increase (decrease) in grants payable	(4,168)	(20,000)
Increase (decrease) in accounts payable and accrued expenses	(7,795)	-
Increase (decrease) in unearned rental income	30,000	-
Total adjustments	<u>(683,341)</u>	<u>(536,171)</u>
Net cash provided (used) by operating activities	<u>(8,461,363)</u>	<u>7,631,584</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,476,003	9,053,945
Purchase of investments	(3,378,407)	(10,075,248)
Payment as consideration for donated real estate property	(190,500)	-
Net cash provided (used) in investing activities	<u>(92,904)</u>	<u>(1,021,303)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>71,236</u>	<u>82,625</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,483,031)	6,692,906
CASH AND CASH EQUIVALENTS, at Beginning of year	<u>9,767,669</u>	<u>3,074,763</u>
CASH AND CASH EQUIVALENTS, at End of year	<u>\$ 1,284,638</u>	<u>\$ 9,767,669</u>

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	Grants and Services to Charitable Organizations		Support Services		Total 2011	Total 2010
	Foundation Activities	Management and General	Fundraising Activities			
Grants	\$ 8,703,464	\$ -	\$ -		\$ 8,703,464	\$ 779,298
Consultants and administration	-	106,857	-		106,857	101,596
Professional fees	-	12,593	-		12,593	14,067
Rent	-	26,934	-		26,934	24,000
Events and meetings	-	-	6,710		6,710	2,164
Travel	8,209	-	-		8,209	6,411
Insurance	-	1,218	-		1,218	1,172
Office expenses	-	6,135	-		6,135	9,481
Marketing	-	12,511	-		12,511	9,015
Real-estate related expenses	-	7,491	-		7,491	-
Miscellaneous	-	5,841	-		5,841	9,574
<b>TOTAL</b>	<b>\$ 8,711,673</b>	<b>\$ 179,580</b>	<b>\$ 6,710</b>		<b>\$ 8,897,963</b>	<b>\$ 956,778</b>

See notes to financial statements.

**TURKISH PHILANTHROPY FUNDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

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 the Fund have been prepared on the accrual basis of accounting.

(c) CONTRIBUTIONS

TPF accounts for contributions in accordance with ASC 820, Accounting for Contributions Received and Contributions Made, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions consist of outright cash, stock gifts, and real estate property 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 and those payable between two to five years are discounted at an annual rate of 3½%.

(d) GRANTS

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



**TURKISH PHILANTHROPY FUNDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**  
*(continued)*

(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 value based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Purchases and sales of investments are recorded on a trade date basis.

(g) **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.

(h) **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.

3. **INVESTMENTS**

Investments are presented in the financial statements at fair market value and consist of the following as of June 30:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Fixed income funds	\$ 1,524,966	\$ 1,954,765
Equities and equity funds	379,807	79,992
Commodity fund	<u>266,452</u>	<u>124,722</u>
	<u>\$ 2,171,225</u>	<u>\$ 2,159,479</u>

**TURKISH PHILANTHROPY FUNDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**  
*(continued)*

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>6/30/2011</u>	<u>6/30/2010</u>
Payable within one year	\$ 24,125	\$ 45,625
Payable between two and five years	<u>-</u>	<u>17,200</u>
Total	<u>\$ 24,125</u>	<u>\$ 62,825</u>

The unconditional promise to give is net of discount of \$875 and \$7,175 at June 30, 2011 and 2010, respectively.

5. 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.

6. 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.

7. 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.

8. SUBSEQUENT EVENTS

TPF adopted ASC 855, *Subsequent Events*, and evaluated its June 30, 2011 financial statements for subsequent events. TPF is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.