

# **Turkish Philanthropy Funds, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



# Turkish Philanthropy Funds, Inc.

June 30, 2020 and 2019

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## Independent Auditor's Report

Board of Directors  
Turkish Philanthropy Funds, Inc.  
New York, New York

We have audited the accompanying financial statements of Turkish Philanthropy Funds, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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 from 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 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 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.

Board of Directors  
Turkish Philanthropy Funds, Inc.  
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***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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

New York, New York  
April 1, 2021

**Turkish Philanthropy Funds, Inc.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,348,538	\$ 3,282,086
Short-term investments	56,119	4,725,424
Contributions receivable	99,853	-
Prepaid expenses and other assets	60,514	12,119
Total current assets	8,565,024	8,019,629
<b>Investments</b>		
Long-term investments	4,671,370	4,842,412
<b>Property, Plant and Equipment, at Cost</b>		
Computer equipment	7,179	7,179
Less accumulated depreciation	(7,179)	(7,179)
Property, plant and equipment, net	-	-
Total assets	\$ 13,236,394	\$ 12,862,041
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 26,649	\$ 4,683
Grants payable	72,050	78,125
Conditional contribution	67,837	-
Total liabilities - current	166,536	82,808
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	188,089	133,994
Donor-advised funds	7,888,720	7,563,332
Board-designated endowment	1,442,327	1,625,614
Net assets without donor restrictions	9,519,136	9,322,940
With donor restrictions		
Purpose and time restricted	742,714	648,285
Perpetual in nature	2,808,008	2,808,008
Net assets with donor restrictions	3,550,722	3,456,293
Total net assets	13,069,858	12,779,233
Total liabilities and net assets	\$ 13,236,394	\$ 12,862,041

**Turkish Philanthropy Funds, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 1,207,470	\$ 1,367,921	\$ 2,575,391
Interest and dividend income, net	118,943	108,846	227,789
Unrealized and realized gains (losses) on investments	102,142	(94,043)	8,099
Net assets released from restrictions	1,288,295	(1,288,295)	-
	<u>2,716,850</u>	<u>94,429</u>	<u>2,811,279</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Program services	<u>2,161,466</u>	<u>-</u>	<u>2,161,466</u>
Supporting services			
Management and general	291,627	-	291,627
Fundraising	<u>67,561</u>	<u>-</u>	<u>67,561</u>
	<u>359,188</u>	<u>-</u>	<u>359,188</u>
Total support services			
	<u>2,520,654</u>	<u>-</u>	<u>2,520,654</u>
Total expenses			
<b>Change in Net Assets</b>	196,196	94,429	290,625
<b>Net Assets, Beginning of Year</b>	<u>9,322,940</u>	<u>3,456,293</u>	<u>12,779,233</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,519,136</u>	<u>\$ 3,550,722</u>	<u>\$ 13,069,858</u>

**Turkish Philanthropy Funds, Inc.**  
**Statements of Activities (Continued)**  
**Years Ended June 30, 2020 and 2019**

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 3,325,753	\$ 1,239,806	\$ 4,565,559
Interest and dividend income, net	153,338	45,784	199,122
Fees and miscellaneous	37,883	-	37,883
Unrealized and realized gains (losses) on investments	128,244	83,803	212,047
Reclassification due to change in donor's intent	(500,000)	500,000	-
Net assets released from restrictions	1,075,363	(1,075,363)	-
	<u>4,220,581</u>	<u>794,030</u>	<u>5,014,611</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Program services	<u>2,223,072</u>	-	<u>2,223,072</u>
Supporting services			
Management and general	352,727	-	352,727
Fundraising	<u>137,407</u>	-	<u>137,407</u>
	<u>490,134</u>	-	<u>490,134</u>
Total support services			
	<u>2,713,206</u>	-	<u>2,713,206</u>
Total expenses			
<b>Change in Net Assets</b>	1,507,375	794,030	2,301,405
<b>Net Assets, Beginning of Year</b>	<u>7,815,565</u>	<u>2,662,263</u>	<u>10,477,828</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,322,940</u>	<u>\$ 3,456,293</u>	<u>\$ 12,779,233</u>

**Turkish Philanthropy Funds, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>				
	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Donor advised fund grants	\$ 656,199	\$ -	\$ -	\$ -	\$ 656,199
Grants	1,155,900	-	-	-	1,155,900
Salaries and employee benefits	214,106	151,934	31,673	183,607	397,713
Professional fees	-	52,849	-	52,849	52,849
Events and meetings	-	1,475	30,000	31,475	31,475
Rent	20,066	21,625	5,888	27,513	47,579
Marketing	-	12,917	-	12,917	12,917
Competitive grants	33,942	-	-	-	33,942
Office expenses	-	21,199	-	21,199	21,199
Bank charges	37,985	4,496	-	4,496	42,481
Travel	-	2,424	-	2,424	2,424
Taxes and filing fees	-	1,577	-	1,577	1,577
Insurance	-	622	-	622	622
Miscellaneous	43,268	20,509	-	20,509	63,777
	<u>\$ 2,161,466</u>	<u>\$ 291,627</u>	<u>\$ 67,561</u>	<u>\$ 359,188</u>	<u>\$ 2,520,654</u>
Total expenses					

	<b>2019</b>				
	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Donor advised fund grants	\$ 909,018	\$ -	\$ -	\$ -	\$ 909,018
Grants	1,100,601	-	-	-	1,100,601
Salaries and employee benefits	146,893	124,787	43,152	167,939	314,832
Professional fees	37,877	64,330	-	64,330	102,207
Events and meetings	-	24,872	88,467	113,339	113,339
Rent	19,521	21,047	5,700	26,747	46,268
Marketing	-	14,506	-	14,506	14,506
Office expenses	-	43,428	56	43,484	43,484
Bank charges	9,162	4,827	10	4,837	13,999
Travel	-	3,218	22	3,240	3,240
Taxes and filing fees	-	2,241	-	2,241	2,241
Insurance	-	648	-	648	648
Miscellaneous	-	48,823	-	48,823	48,823
	<u>\$ 2,223,072</u>	<u>\$ 352,727</u>	<u>\$ 137,407</u>	<u>\$ 490,134</u>	<u>\$ 2,713,206</u>
Total expenses included in the expense section on the statements of activities					



**Turkish Philanthropy Funds, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 290,625	\$ 2,301,405
Items not requiring (providing) operating cash flows		
Net realized and unrealized gains on investments	(8,099)	(212,047)
Contribution received restricted for endowments	-	(107,117)
Changes in		
Contributions receivable	(99,853)	-
Prepaid expenses and other assets	(48,395)	47,362
Accounts payable and accrued expenses	21,966	(21,538)
Grants payable	(6,075)	(250,671)
Conditional contribution	67,837	-
Net cash provided by operating activities	218,006	1,757,394
<b>Investing Activities</b>		
Proceeds from sale of investments	6,818,355	956,830
Purchases of investments	(1,969,909)	(3,250,701)
Net cash provided by (used in) investing activities	4,848,446	(2,293,871)
<b>Financing Activities</b>		
Proceeds from a contribution received restricted for endowments	-	107,117
Net cash provided by financing activities	-	107,117
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	5,066,452	(429,360)
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,282,086	3,711,446
<b>Cash and Cash Equivalents, End of Year</b>	\$ 8,348,538	\$ 3,282,086

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

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 of America.

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.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

TPF considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are considered to be cash and cash equivalents. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2020, TPF's cash accounts exceeded federally insured limits by approximately \$7,874,000.

#### ***Investments and Net Investment Return***

Investments are carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the average cost method.

Investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

TPF's investments with long-term maturities have been classified as long-term while the remaining investments have been classified as current based on the availability of these investments to fund current operations as needed.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

TPF maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### **Long-Lived Asset Impairment**

TPF evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### **Conditional Contribution**

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). On May 5, 2020, TPF received the Paycheck Protection Program (PPP) loan under the CARES Act, as set forth in March 2020, in the amount of \$67,837. TPF used all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. TPF concluded the PPP loan is in-substance a government grant, therefore, it is recorded as a conditional contribution pursuant to Accounting Standards Codification Topic 958-605. The contribution is recorded as a liability and will be recognized as revenue if and when the conditions have been met.

On February 16, 2021, TPF received full forgiveness from the Small Business Administration that they fully satisfied the conditions on the grant.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Contributions

Contributions are provided to TPF either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on TPF overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### Income Taxes

TPF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, TPF is subject to federal income tax on any unrelated business taxable income.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

TPF files tax returns in the U.S. federal jurisdiction.

### **Grants**

Unconditional grants to charitable organizations are expensed upon approval of the Board of Directors of TPF.

### **Functional Allocation of Expenses**

The costs of TPF's programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to program services, management and general, and fundraising. Salaries and employee benefits are charged to the different functions based on the employees' actual functions performed. The remaining expenses are allocated to program and supporting services based on direct expenses incurred by each function.

### **Donor-Advised Funds**

Individuals may establish donor-advised funds, whereby each fund and its related earnings can be distributed to charities recommended by the donor, subject to the approval of TPF's Board of Directors. Donor-advised funds are included in net assets without donor restrictions.

### **Subsequent Events**

Subsequent events have been evaluated through April 1, 2021, which is the date the financial statements were available to be issued.

### **Changes in Accounting Principles**

In 2020, TPF adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction.

As a result of adopting ASU 2018-08, there was no change in timing of recognition of grants and contributions. The adoption had no impact on beginning net assets for the year ended June 30, 2020.

### **Revisions**

The June 30, 2019 liquidity and availability footnote has been revised, as it previously included donor-advised and board-designated funds of \$9,188,946 in financial assets available to meet cash needs for general expenditures within one year. In addition, the endowment earnings of \$408,790 have been adjusted within the 2019 statement of financial position from donor-restricted funds perpetually restricted to donor-restricted funds with purpose and time restrictions. There was no significant impact to the financial statements as a result of these changes.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 2: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### ***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
<b>June 30, 2020</b>	
Assets	
Investments	
Common stocks	
U.S. equities	\$ 1,493,759
International equities	637,157
Emerging and frontier market	256,378
Global equities	58,387
Real estate	52,683
Fixed income	1,125,229
Alternatives	809,949
Mutual funds	
Money market mutual funds	150,000
Equity funds	143,947
	<hr/>
Total investments	\$ 4,727,489
	<hr/>
Short-term investments	\$ 56,119
Long-term investments	4,671,370
	<hr/>
	\$ 4,727,489
	<hr/>

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
<b>June 30, 2019</b>	
Assets	
Investments	
Common stocks	
U.S. equities	\$ 1,491,165
International equities	686,555
Emerging and frontier	225,386
Global equities	59,913
Fixed income	1,185,845
Real estate	47,497
Alternatives	810,307
Mutual funds	
Equity funds	<u>5,061,168</u>
Total investments	<u>\$ 9,567,836</u>
Short-term investments	\$ 4,725,424
Long-term investments	<u>4,842,412</u>
	<u>\$ 9,567,836</u>

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2020 and 2019.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.



# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

TPF invests in various investment securities that are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

### Note 3: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Available for grants	\$ 321,679	\$ 239,495
Endowments		
Perpetual in nature	2,808,008	2,808,008
Subject to TPF endowment spending policy and appropriation		
General use and grants	<u>421,035</u>	<u>408,790</u>
	<u>\$ 3,550,722</u>	<u>\$ 3,456,293</u>

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	<u>2020</u>	<u>2019</u>
Donor-advised funds	\$ 7,888,720	\$ 7,563,332
Board-designated funds	1,442,327	1,625,614
Undesignated	<u>188,089</u>	<u>133,994</u>
Net assets without donor restrictions	<u>\$ 9,519,136</u>	<u>\$ 9,322,940</u>

#### *Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Grants	<u>\$ 1,288,295</u>	<u>\$ 1,075,363</u>

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 4: Endowments

TPF's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, TPF classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, TPF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of TPF and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of TPF
7. Investment policies of TPF

TPF's endowment provides a predictable stream of funding to programs and operations. Endowment assets include assets of donor-restricted funds that TPF must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. TPF's endowment consists of two funds established to provide income for general use and for grants to be made to Turkey. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,442,327	\$ -	\$ 1,442,327
Donor-restricted endowment funds	-	3,229,043	3,229,043
Total endowment funds	<u>\$ 1,442,327</u>	<u>\$ 3,229,043</u>	<u>\$ 4,671,370</u>

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,625,614	\$ -	\$ 1,625,614
Donor-restricted endowment funds	-	3,216,798	3,216,798
	<u>\$ 1,625,614</u>	<u>\$ 3,216,798</u>	<u>\$ 4,842,412</u>

Change in endowment net assets for the years ended June 30, 2020 and 2019 was:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,625,614	\$ 3,216,798	\$ 4,842,412
Investment return, net	(8,336)	12,245	3,909
Other changes			
Transfer to board-designated endowment	25,000	-	25,000
Transfer to fund operating budget	(199,951)	-	(199,951)
Endowment net assets, end of year	<u>\$ 1,442,327</u>	<u>\$ 3,229,043</u>	<u>\$ 4,671,370</u>

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 2,480,094	\$ 2,480,094
Investment return, net	56,324	129,587	185,911
Contributions	-	107,117	107,117
Reclassification due to change in donor's intent	(500,000)	500,000	-
Other changes			
Transfer to create board-designated endowment	2,069,290	-	2,069,290
Endowment net assets, end of year	<u>\$ 1,625,614</u>	<u>\$ 3,216,798</u>	<u>\$ 4,842,412</u>

# **Turkish Philanthropy Funds, Inc.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Investment and Spending Policies***

The annual spending for grants shall be 5 percent and 7 percent for 2020 and 2019, respectively, of a balance which is calculated by averaging the previous 12 quarters of a fund. This calculation will be done once a year, at the end of the fiscal year, and the resulting amount will be the grant amount for the next year. The spending policy may be modified by TPF at its sole discretion and will be communicated to the donor annually.

TPF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds TPF must hold in perpetuity or for donor-specified periods. Under TPF's policies, endowment assets are invested in a manner that is intended to produce results which over time will average the level of approved TPF endowment spending rate plus inflation. Actual results in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, TPF relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). TPF employs a strategy designed to achieve a real return over consecutive rolling five-year periods of 7 percent over inflation with significant diversification to reduce volatility. TPF has adopted this strategy to protect the inviolate nature of the original corpus of permanently restricted gifts against potential market declines in the future and to provide a predictable flow of funds to support operations. This is consistent with TPF's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 8,348,538	\$ 3,282,086
Contributions receivable	99,853	-
Investments	<u>4,727,489</u>	<u>9,567,836</u>
Total financial assets	<u>13,175,880</u>	<u>12,849,922</u>
Donor-imposed restrictions		
Restricted funds	742,714	648,285
Endowments	<u>2,808,008</u>	<u>2,808,008</u>
Net financial assets after donor-imposed restrictions	<u>3,550,722</u>	<u>3,456,293</u>
Donor-advised funds	7,888,720	7,563,332
Board-designated funds	<u>1,442,327</u>	<u>1,625,614</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 294,111</u>	<u>\$ 204,683</u>

TPF's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment as of the years ended June 30, 2020 and 2019 of \$1,442,327 and \$1,625,614, respectively, is utilized by the Board to cover any operating budget deficits. Although the TPF does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

TPF manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### Note 6: Related-Party Transactions

TPF has a board member that is a senior vice president at an investment company which provided investment services to TPF in 2020. Fees paid to the bank for the years ended June 30, 2020 and 2019 were approximately \$45,091 and \$42,545, respectively.

# **Turkish Philanthropy Funds, Inc.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### **Note 7: Operating Lease**

TPF leases office space under a month-to-month lease. Rent expense for the years ended June 30, 2020 and 2019 was \$47,579 and \$46,268, respectively.

### **Note 8: Significant Estimates and Concentrations**

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Contributions***

Approximately, 46 percent of all contributions were received from two donors in 2020. In 2019, approximately 41 percent of all contributions were received from one donor.