

Isla Carroll Turner Friendship Trust

Financial Statements – Modified Cash Basis
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Isla Carroll Turner Friendship Trust

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Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees of
Isla Carroll Turner Friendship Trust;

We have audited the accompanying financial statements of Isla Carroll Turner Friendship Trust, which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2020 and 2019 and the related statements of revenue and expenses – modified cash basis and of cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management also is responsible for 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.

Auditors' 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 our audits 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 auditors' 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

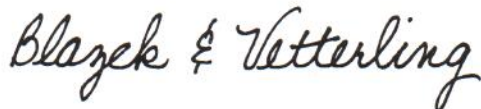
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Isla Carroll Turner Friendship Trust as of December 31, 2020 and 2019 and its revenue, expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

As described in Note 1, these financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the schedule of grants paid during the year ended December 31, 2020 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



October 12, 2021

Isla Carroll Turner Friendship Trust

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 100,052	\$ 97,208
Investments, at cost (Note 3):		
Common stock	1,089,228	1,089,228
Money market mutual funds	449,511	12,733
Prepaid excise tax and other assets	<u>794</u>	<u>23,903</u>
TOTAL ASSETS	<u>\$ 1,639,585</u>	<u>\$ 1,223,072</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Refundable advance (Note 2):	<u>\$ 15,050</u>	
Net assets without donor restrictions	<u>1,624,535</u>	<u>\$ 1,223,072</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,639,585</u>	<u>\$ 1,223,072</u>

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Statements of Revenue and Expenses – Modified Cash Basis for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE:		
Interest and dividends	\$ 1,787,111	\$ 1,799,431
Realized gain on sale of investments		776,857
Investment custodial and management fees	<u>(23,300)</u>	<u>(38,098)</u>
Total revenue	<u>1,763,811</u>	<u>2,538,190</u>
EXPENSES:		
Program services:		
Grants made	1,169,277	2,370,000
Salaries and related costs	88,608	84,060
Office rent	22,092	21,881
Other	<u>16,410</u>	<u>15,518</u>
Total program services	<u>1,296,387</u>	<u>2,491,459</u>
Management and general:		
Salaries and related costs	19,179	18,217
Professional fees	14,129	22,463
Office rent	4,782	4,742
Other	<u>3,452</u>	<u>3,963</u>
Total management and general	41,542	49,385
Federal excise tax (Note 4)	<u>24,419</u>	<u>25,270</u>
Total expenses	<u>1,362,348</u>	<u>2,566,114</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	401,463	(27,924)
Net assets without donor restrictions, beginning of year	<u>1,223,072</u>	<u>1,250,996</u>
Net assets without donor restrictions, end of year	<u>\$ 1,624,535</u>	<u>\$ 1,223,072</u>

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Statements of Cash Flows – Modified Cash Basis for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ 401,463	\$ (27,924)
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided (used) by operating activities:		
Realized gain on sale of investments		(776,857)
Changes in refundable advance	15,050	
Changes in prepaid excise tax and other assets	<u>23,109</u>	<u>8,040</u>
Net cash provided (used) by operating activities	<u>439,622</u>	<u>(796,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments		794,213
Net change in money market mutual funds held as investments	<u>(436,778)</u>	<u>(6,412)</u>
Net cash provided (used) by investing activities	<u>(436,778)</u>	<u>787,801</u>
NET CHANGE IN CASH	2,844	(8,940)
Cash, beginning of year	<u>97,208</u>	<u>106,148</u>
Cash, end of year	<u>\$ 100,052</u>	<u>\$ 97,208</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Federal excise tax paid		\$15,500

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Notes to Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Isla Carroll Turner Friendship Trust (the Trust) was established in 1956 by Isla Carroll Sterling Turner. The Trust provides grants to charitable organizations for the purpose of assisting the elderly and older adults with Down’s Syndrome in the State of Texas.

Basis of presentation – The Trust’s financial statements are presented in accordance with the modified cash basis of accounting. This method of accounting differs from generally accepted accounting principles primarily in that investments are reported at cost rather than fair value, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The Trust recognizes federal excise tax expense and any related asset or liability in the tax year to which it pertains. Realized gains and losses on sales of investments are computed using the first-in, first-out method.

Federal income tax status – The Trust is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a private foundation which is subject to excise tax on net investment income.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation. The Trust only has *net assets without donor restrictions* as they are available to support the broad purposes of the Trust.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted on the basis of estimated time and effort expended.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Trust’s financial assets comprise cash and investments of \$1.6 million and \$1.2 million at December 31, 2020 and 2019, respectively. All financial assets are available to fund the Trust’s general expenditures within one year at the discretion of the Trustees. The Trustees approve grants and other general expenditures as part of the annual budget process. General expenditures are funded from interest and dividends received supplemented by proceeds from sales of common stock, as needed.

In June 2020, the Trust received financial relief of \$15,050 funded under the Small Business Administration’s Paycheck Protection Program (PPP). PPP loan principal and interest may be forgiven, in whole or in part, if funds are used for the intended purposes. The unsecured loan is considered to be a conditional contribution and is reported as a refundable advance at December 31, 2020. Subsequent to December 31, 2020, the Small Business Administration approved forgiveness of the loan which will be recognized in fiscal year 2021.

NOTE 3 – INVESTMENTS

Investments in common stock are two corporate holdings that have a fair value of \$21.1 million at December 31, 2020 and \$35.6 million at December 31, 2019. The fair value is based on the closing price reported on the active market on which the individual securities are traded. One of the Trust's two holdings comprise 97% and 98% of the total fair value of common stock at December 31, 2020 and 2019, respectively.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the fair value amounts in this disclosure.

NOTE 4 – FEDERAL EXCISE TAX

The Internal Revenue Code imposes an excise tax on net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). The Foundation computed its provision for federal excise tax at the rate of 1.39% in 2020 and 1% in 2019.

Internal Revenue Code §4942 requires that the Trust annually make qualifying charitable distributions of approximately 5% of the fair value of noncharitable assets during the prior year reduced by acquisition indebtedness, if any, with respect to such assets. Such qualifying distributions must be made by the end of the succeeding taxable year in order to avoid the imposition of a 30% federal excise tax on any undistributed income. The Trust is currently in compliance with these provisions and is not subject to this federal excise tax on undistributed income.

The Trust believes that it has appropriate support for the federal excise tax positions taken and, as such, does not have any uncertain tax positions that could result in a material impact on the Trust's financial statements.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Isla Carroll Turner Friendship Trust

Schedule of Grants Paid during the year ended December 31, 2020

<u>Grantee</u>	<u>Amount Paid</u>
Austin Speech Labs	\$ 10,000
Bastrop County Emergency Food Pantry	10,000
Bay Area Meals on Wheels, Inc.	10,000
Beacon of Downtown Houston, The	35,000
Brookwood Community, The	50,000
Bulverde Senior Center	7,500
CanCare of Houston, Inc.	10,000
Caritas of Austin	5,000
Catholic Charities of the Archdiocese of Galveston-Houston	40,000
CHRISTUS Foundation for HealthCare	25,000
Clarewood House, Inc.	25,000
Comal County Senior Citizens Foundation	30,000
Cuisine for Healing	10,000
Eden Home, Inc.	25,000
Embracing the Master Plan, Inc.	5,000
Family Eldercare, Inc.	7,500
Family Service Association of San Antonio, Inc.	10,000
Family Service Center at Houston and Harris County	5,000
Fort Bend Seniors Meals on Wheels and Much, Much More	15,000
Friends for Life	10,000
Galveston County Food Bank	50,000
Golden Age Hobby House of Houston, Inc.	10,000
Habitat for Humanity of El Paso	10,000
Halo House Foundation (Harris)	10,000
Heart for Homes	5,000
Houston Area Parkinson Society	10,000
Houston Hospice (Harris)	25,000
Houston's Amazing Place, Inc.	25,000
Interfaith Ministries for Greater Houston	75,000
Jasper County Committee on Aging, Inc.	30,000
Katy Christian Ministries	2,500
Marbridge Foundation	17,500
Meals and Wheels and More, Inc.	20,000
Meals on Wheels Ministry, Inc.	10,000
Meals on Wheels San Antonio	10,000
Methodist Retirement Communities, Town Creek	17,500
Metroport Meals on Wheels, Inc.	20,000
Missions of Yahweh, Inc., The	25,000
Montrose Counseling Center	10,000
Nacogdoches County Aging Committee, Inc.	14,277
Nagel Community Clinic, Arthur	7,500

(continued)

Isla Carroll Turner Friendship Trust

Schedule of Grants Paid during the year ended December 31, 2020

(continued)

<u>Grantee</u>	<u>Amount Paid</u>
New Hope Housing, Inc.	25,000
Nixon Home Care, Inc.	30,000
Northwest Assistance Ministries	15,000
Precinct2gether, Inc.	10,000
Project MEND	10,000
Rainbow Senior Center Foundation, Inc.	15,000
Rebuilding Together – Houston	10,000
Regional East Texas Food Bank	30,000
re:MIND	5,000
Rose, The	10,000
Rubenstein Jewish Community Center of Houston, Evelyn	25,000
St. Dominic Village	25,000
Salvation Army, Houston Area Command, A Georgia Corporation, The	20,000
SEARCH Homeless Services	25,000
Senior Citizens Services of North Texas, Inc.	5,000
Seven Acres Jewish Senior Care Services, Inc.	25,000
Stilwell Retirement Residence	10,000
Sunshine House, Inc.	15,000
Target Hunger, Inc.	15,000
Texas Ramp Project	10,000
Turning Point Center	10,000
UTMB-Galveston	15,000
Vita-Living, Inc.	25,000
Volunteer Interfaith Caregivers, Southwest	5,000
Wesley Community Center	5,000
YMCA of Greater Houston	25,000
Total grants paid	<u>\$ 1,169,277</u>