

Isla Carroll Turner Friendship Trust

Financial Statements – Modified Cash Basis
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Isla Carroll Turner Friendship Trust

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of Isla Carroll Turner Friendship Trust as of December 31, 2021 and 2020, and its revenue, expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Isla Carroll Turner Friendship Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Isla Carroll Turner Friendship Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Isla Carroll Turner Friendship Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, 2021 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 the audit 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.

Blazek & Vetterling

February 22, 2023

Isla Carroll Turner Friendship Trust

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 192,001	\$ 100,052
Investments, at cost (<i>Note 3</i>):		
Common stock	2,278,666	1,089,228
Money market mutual funds	241,091	449,511
Prepaid excise tax and other assets	<u>794</u>	<u>794</u>
TOTAL ASSETS	<u>\$ 2,712,552</u>	<u>\$ 1,639,585</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Deferred call options	\$ 694,300	
Refundable advance	<u> </u>	<u>\$ 15,050</u>
Total liabilities	694,300	15,050
Net assets without donor restrictions	<u>2,018,252</u>	<u>1,624,535</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,712,552</u>	<u>\$ 1,639,585</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE:		
Interest and dividends	\$ 1,811,348	\$ 1,787,111
Realized gain on sale of investments	(131,943)	
Investment custodial and management fees	(90,662)	(23,300)
Other income	<u>17,329</u>	<u> </u>
Total revenue	<u>1,606,072</u>	<u>1,763,811</u>
EXPENSES:		
Program services:		
Grants made	1,008,500	1,169,277
Salaries and related costs	87,796	88,608
Office rent	20,500	22,092
Other	<u>17,604</u>	<u>16,410</u>
Total program services	<u>1,134,400</u>	<u>1,296,387</u>
Management and general:		
Salaries and related costs	19,004	19,179
Professional fees	23,204	14,129
Office rent	4,437	4,782
Other	<u>4,310</u>	<u>3,452</u>
Total management and general	50,955	41,542
Federal excise tax (Note 4)	<u>27,000</u>	<u>24,419</u>
Total expenses	<u>1,212,355</u>	<u>1,362,348</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	393,717	401,463
Net assets without donor restrictions, beginning of year	<u>1,624,535</u>	<u>1,223,072</u>
Net assets without donor restrictions, end of year	<u>\$ 2,018,252</u>	<u>\$ 1,624,535</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ 393,717	\$ 401,463
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Realized loss on sale of investments	131,943	
Changes in operating assets and liabilities:		
Prepaid excise tax and other assets		23,109
Refundable advance	<u>(15,050)</u>	<u>15,050</u>
Net cash provided by operating activities	<u>510,610</u>	<u>439,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,791,178)	
Proceeds from sale of investments	1,164,097	
Net change in money market mutual funds held as investments	<u>208,420</u>	<u>(436,778)</u>
Net cash used by investing activities	<u>(418,661)</u>	<u>(436,778)</u>
NET CHANGE IN CASH	91,949	2,844
Cash, beginning of year	<u>100,052</u>	<u>97,208</u>
Cash, end of year	<u>\$ 192,001</u>	<u>\$ 100,052</u>
<i>Supplemental disclosure of cash flow information:</i>		
Federal excise tax paid	\$27,000	\$15,500

See accompanying notes to financial statements.

Isla Carroll Turner Friendship Trust

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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.

Investments are reported at cost. Realized gains and losses on sales of investments are computed using the first-in, first-out method.

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.

Grants and commitments are recognized as expenses when paid by the Trust. At December 31, 2021, the Trust had no unpaid grant commitments.

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.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with the modified cash basis of accounting. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Trust’s financial assets comprise cash and investments with a fair value of \$32.3 million and \$21.6 million at December 31, 2021 and 2020, 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.

NOTE 3 – INVESTMENTS

Investments in common stock have a fair value of \$32.1 million at December 31, 2021 and \$21.1 million at December 31, 2020. 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 holdings comprise 95% and 97% of the total fair value of common stock at December 31, 2021 and 2020, 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 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 Trust computed its provision for federal excise tax at the rate of 1.39%.

The 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 February 22, 2023, 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, 2021

<u>Grantee</u>	<u>Amount Paid</u>
Air Force	\$ 15,000
The Beacon	35,000
Brookwood Community	40,000
Bulverde Senior Center	10,000
CanCare of Houston	10,000
Caritas of Austin	10,000
Catholic Charities of the Archdiocese	40,000
Center for Pursuit	25,000
Christus Foundation	25,000
Clarewood House	25,000
Comal County Senior Citizens Foundation	30,000
Cuisine for Healing	10,000
Dominican Sisters of Mary	36,000
Eden Home	20,000
Embracing the Masters Plan	5,000
Faith in Action	10,000
Family Service Association	5,000
Fort Bend Seniors Meals on Wheels	15,000
Friendly Door	10,000
Galveston County Food Bank	50,000
Halo House Foundation	10,000
Houston Area Parkinson Society	10,000
Houston Hospice	10,000
Humble Area Assistance Ministries	10,000
Interfaith Caring Ministries	10,000
Interfaith Ministries for Greater Houston	25,000
Jasper County Committee	30,000
Marbridge Foundation	10,000
Meals for the Elderly	10,000
Meals on Wheels and More	20,000
Meals on Wheels Collin County	10,000
Meals on Wheels Ministry	10,000
Meals on Wheels San Antonio	10,000
Meals on Wheels Tarrant County	10,000
Methodist Retirement Communities	20,000
Metropport Meals on Wheels	10,000
Missions of Yahweh	25,000
Montrose Center	10,000
Nagel Community Clinic	7,500
New Hope Housing	25,000
Nixon Home Care	10,000

(continued)

Isla Carroll Turner Friendship Trust

Schedule of Grants Paid during the year ended December 31, 2021

(continued)

<u>Grantee</u>	<u>Amount Paid</u>
Northwest Assistance Ministries	10,000
Precinct2gether	10,000
Project MEND	10,000
Rainbow Senior Center Foundation	10,000
Regional East Texas Food Bank	30,000
re:MIND	5,000
The Rose	10,000
Rubenstein Jewish Community Center	10,000
Sarah Roberts French Home	10,000
St. Dominic Village	50,000
Salvation Army	20,000
SEARCH Homeless Services	25,000
Seven Acres Jewish Senior Care Services	25,000
Sunshine House	15,000
Target Hunger	15,000
Vita-Living	25,000
Volunteer Interfaith Caregivers	5,000
Wesley Community Center	<u>5,000</u>
Total grants paid	<u>\$ 1,008,500</u>