

**Czech University of Life Sciences Prague  
Faculty of Economics and Management  
Department of Economics**



## **Master's Thesis**

**The Economic Analysis of The Selected Non-  
Governmental Non-profit Organization**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

Gizem Kup, MBA

Economics and Management

Thesis title

**The economic analysis of the selected non-governmental non-profit organization**

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### Objectives of thesis

Turkish Education Foundation (TEV) operating in Turkey as a non-governmental non-profit organization was selected for the thesis. The aim of the thesis is to make an economic analysis in the light of the activities of TEV in the last 10 years. Therefore, the objectives of the thesis are listed below.

- To analyze the financial performance of the last ten years by using financial ratios and indicators within the framework of the annual reports published by Tev.
- Comparing TEV's economic performance with similar non-profit organizations.
- To evaluate the effectiveness of TEV in terms of cost effectiveness, using criteria such as cost per student served and cost per program initiated.
- To identify the main strengths and weaknesses in TEV's economic performance and impact, and to offer suggestions.
- To interpret TEV's economic performance within the framework of TEV's fields of activity, the education sector in Turkey and TEV's mission.

### Methodology

In this thesis, the economic performance of TEV will be analyzed by using the financial data between 2012-2022.

The study will consist of three parts. In the first part of the study, the structure of non-profit, non-governmental organizations, economic analysis methods and theoretical information about the education sector in Turkey will be given, and the results of similar studies in the literature will be examined. In the second part of the study, the economic analysis of TEV will be made using the obtained data. In the last part of the study, the results of the analysis will be interpreted, the place of TEV in the Turkish education sector and the results will be interpreted by comparing it with other similar institutions.

The data to be used for analysis in this thesis will consist of TEV's annual income, expenses, the number of students and schools served, scholarships, programs and debts. These data to be used in the study will be obtained from the annual reports published by TEV in the last 10 years.

The obtained data will be analyzed by methods such as horizontal, vertical and ratio analysis. The change in the financial structure of the institution in the last 10 years and the direction of this change will be analyzed.

The efficiency of the institution will be examined by calculating rates such as cost per student helped and cost per program. These results will be interpreted within the framework of TEV's mission, goals and its contribution to the education sector in Turkey.

The limitation of the study is that it covers only the last 10 years.



**The proposed extent of the thesis**

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**Keywords**

Non-profit, Non-governmental, Economics, TEV, Education.

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## **Declaration**

I declare that I have worked on my master's thesis titled " The Economic Analysis of The Selected Non-Governmental Non-profit Organization " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 27.03.2024

Gizem Kup

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# **The Economic Analysis of The Selected Non-Governmental Non-profit Organization**

## **Abstract**

In democratic societies, the way for individuals to make their voices heard, to seek their legal rights, to easily overcome problems that they cannot overcome as individuals, and to meet the vital needs that the State cannot meet for various reasons are through coming together under the roof of a non-governmental organization. Non-governmental organizations, just like companies, can have large financial assets, and if these assets are not well managed and controlled, they can cause some financial and social problems. In this study, the financial statements of the Turkish Education Foundation for the years between 2013-2022 have been analyzed, and it has been observed that the foundation managed its finances in accordance with its purpose during this period, increased its assets and increased its activities of providing schools, dormitories and scholarships. While increasing these, it was also able to increase the number of donors and obtain returns from its financial resources without going into excessive debt.

**Keywords:** Non-profit, Non-governmental, Economics, TEV, Education.

# **Ekonomická Analýza Vybrané Nevládní Neziskové Organizace**

## **Abstrakt**

V demokratických společnostech je cestou pro jednotlivce, jak dostat své hlasy k slyšení, hledat svá právní práva, snadno překonávat problémy, které nemohou překonat jako jednotlivci, a uspokojovat základní potřeby, které Stát nemůže splnit z různých důvodů, spojení pod střešou nevládní organizace. Nevládní organizace, stejně jako společnosti, mohou disponovat velkými finančními prostředky a pokud tyto prostředky nejsou řádně spravovány a kontrolovány, mohou způsobit některé finanční a sociální problémy. V této studii byly analyzovány finanční výkazy Turecké nadace pro vzdělávání za období let 2013–2022 a bylo pozorováno, že nadace řídila své finance v souladu s jejím účelem během tohoto období, zvýšila svá aktiva a rozšířila své aktivity poskytování škol, kolejí a stipendií. Při zvyšování těchto aktivit byla také schopna zvýšit počet dárců a získat výnosy z finančních zdrojů, aniž by se zadlužila příliš.

**Klíčová slova:** Neziskové, nevládní, ekonomika, TEV, vzdělání.

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# 1 Introduction

One of the most important indicators of democracy is the existence of a civil area where people outside the direct influence of the state have the opportunity to freely exercise their fundamental rights and freedoms. Non-governmental organizations have played an important role in the development of social, cultural and economic life from past to present, and an important part of the services to be provided by the state has been presented to the society through these organizations (Baranov, 2021). Thanks to non-governmental organizations, individuals have realized participation and pluralism by voluntarily organizing their assets and efforts for the public benefit. In this sense, the increase in the number of non-governmental organizations and the development of the duties they undertake in society have contributed positively to the growth of civil society and thus to the development of democracy (de Waal et al., 2011).

One of the organizations operating within non-governmental organizations is foundations. A foundation can be expressed as a group of goods with legal personality, in which real or legal persons are established by assigning sufficient goods or rights for the performance of a certain service or the benefit of others. Since foundations are non-profit non-governmental organizations, they differ from for-profit enterprises in the application of the accounting system. However, an accounting system based on scientific criteria is needed in order to improve transparency and ensure widespread accountability in non-profit organizations. Therefore, the production of transparent financial statements is a necessity for all organizations, whether they are established for profit or not. Foundations are subject to legal, financial and economic audits due to their activities (Patel et al., 2015).

Effective and efficient management of non-profit organizations that aim to provide social benefit to the society, solve social problems and contribute to the welfare of the society is largely possible by obtaining healthy financial data and interpreting them correctly. Ratio analysis can be used for healthy and reliable financial analysis. Ratio analysis is a common method used to measure the financial performance of companies (Kuroki & Natsuyoshi, 2023). However, its use in non-profit organizations is quite limited. Due to the difference in purpose, some of the ratios used for companies are not directly relevant for non-profit organizations. Parties such as trustees, donors, government, project beneficiaries, project staff, managers, financial staff and the public need financial information about nonprofits. While internal project personnel and donors need financial information in a narrower scope

to measure the effectiveness of projects, senior managers need analysis of financial information in order to measure the overall success of the organization, to set future goals, and to be accountable to the board of trustees and the public (Greiling, 2010)).

## **2 Objectives and Methodology**

### **2.1 Objectives**

Turkish Education Foundation (TEV) operating in Turkey as a non-governmental non-profit organization was selected for the thesis. The aim of the thesis is to make an economic analysis in the light of the activities of TEV between the years 2013-2022. Therefore, the objectives of the thesis are listed below.

- To analyze the financial performance of the last ten years by using financial ratios and indicators within the framework of the annual reports published by TEV.
- Comparing TEV's economic performance with similar non-profit organizations.
- To evaluate the effectiveness of TEV in terms of cost effectiveness, using criteria such as cost per student served and cost per program initiated.
- To identify the main strengths and weaknesses in TEV's economic performance and impact, and to offer suggestions.
- To interpret TEV's economic performance within the framework of TEV's fields of activity, the education sector in Turkey and TEV's mission.

### **2.2 Methodology**

In this thesis, the economic performance of TEV will be analyzed by using the financial data between the years 2013-2022.

The study will consist of three parts. In the first part of the study, the structure of non-profit, non-governmental organizations, economic analysis methods and theoretical information about the education sector in Turkey will be given, and the results of similar studies in the literature will be examined. In the second part of the study, the economic analysis of TEV will be made using the obtained data. In the last part of the study, the results of the analysis will be interpreted, the place of TEV in the Turkish education sector and the results will be interpreted by comparing it with other similar institutions.

The data to be used for analysis in this thesis will consist of TEV's annual income, expenses, the number of students and schools served, scholarships, programs, and debts. These data to be used in the study will be obtained from the annual reports published by TEV between the years 2013-2022.

The obtained data will be analyzed by methods such as horizontal, vertical and ratio analysis.

### **Horizontal Analysis**

When performing financial analysis, monitoring the change in the financial indicators of a company or organization within a specified period can be done using the horizontal analysis method. In this method, financial indicators included in the financial statements of institutions, such as balance sheets and financial statements, are interpreted by calculating the differences between operating periods. In this way, improvements or declines in the financial indicators of companies are examined and comments can be made regarding the reasons for this situation. Horizontal analysis provides more detailed information about the company's situation than the analysis of institutions for a single financial period. In this way, the direction followed by institutions over the years can be evaluated and predictions can be made about the future situation (Revsine et al., 1999). This analysis method can be used in both for-profit companies and non-profit organizations.

### **Vertical Analysis**

It is stated that the changes in the financial statements of the institutions over the years were made using the horizontal analysis method. In the vertical analysis, the percentages of the company's financial indicators relative to each other are evaluated. The distribution of assets or liabilities within financial indicators is examined by the vertical analysis method. With the vertical analysis method, it is possible to gain insight into how the company's expenses or assets are used. With this analysis method, data for a single period can be analyzed statically, as well as how these distributions change within financial periods can be evaluated dynamically. Dynamic changes in the distribution of the institution's assets and liabilities can provide very important information in terms of making predictions about the future situation of the institution (Barnes, 1987). This analysis method can be used in both for-profit companies and non-profit organizations.

### **Ratio Analysis**

Financial ratios are used to determine the relationships between financial data obtained from organizations' balance sheets, income statements or cash flow statements. By using financial ratios, information about the company's performance can be obtained, as well as understanding any irregularities or a possible bankruptcy prediction for the future.

Financial institutions, banks or credit institutions need financial ratio information in order to have information about the institution and to make a credit evaluation. Unlike the financial ratios of for-profit organizations, there are different ratio analyzes used in performance measurements of non-financial institutions (Faello, 2015). In this study, the financial ratios below will be used to examine the financial performance of TEV, a non-profit organization.

**Table 1. Definition and Measurements of Financial Ratios**

<b>FINANCIAL RATIO</b>	<b>MEASUREMENT</b>
Debt ratio	Ratio of total debts to total assets
Cash ratio	Ratio of cash and cash equivalent over current liabilities
Reliance ration	Ratio of largest type of income to total income
Administrative ratio	Ratio of administrative expenses to total expenses
Management cost rate	Ratio of administrative expenses to total revenue
Net Operating Margin	Ratio of revenue less expenditure over revenue
Primary Reserve Ratio	Ratio of net current assets over total expenses

**Source:** Jegers, 2008

The change in the financial structure of the institution between the years 2013-2022 and the direction of this change will be analyzed. The efficiency of the institution will be examined by calculating rates such as cost per student helped and cost per program. These results will be interpreted within the framework of TEV's mission, goals, and its contribution to the education sector in Turkey.

The limitation of the study is that it covers only the years 2013-2022.

### **3 Literature Review**

In this section, the economic analysis of non-profit and non-governmental organizations will be discussed in detail within the framework of studies in the literature. For this purpose, this section will be organized under three headings. In the first part, foundations, structures of foundations and the legislation related to foundations in Turkey, in the second part, the economic structures, incomes, expenses and tax responsibilities of the foundations will be examined. In the third part, the structure and history of the Turkish Education Foundation, which was selected within the scope of the thesis, will be examined within the scope of the literature.

#### **3.1 Non-Profit Organizations and Economic Characteristics of Non-Profit Organizations**

##### **3.1.1 Definition of Non-Profit Non-Governmental Organizations**

Non-profit organizations are groups and organizations that can influence the political system and are called non-governmental organizations, which can be established in different fields or professions. In this respect, the inevitable members of contemporary democracy are parties and unions, or in other words, non-governmental organizations. One of the most important features of the democratic social structure is that they are individual-oriented. In democratic societies, the possibilities for people to have direct influence on their own lives are increased as much as possible and this situation is systematized as much as possible. What will naturally sustain the whole system is the existence of open communication and criticism channels that connect these individual-oriented decision processes (Patel et al., 2015).

The democratization of the state and its control and direction by the people's organizations is only possible in a true civil society culture. Establishing a real civil society requires a new approach to the triangle of parliament, state, and political parties. As communities become more complex, expectations from systems can change. For this reason, as the number of interest groups increases in a political system, it is inevitable to use representatives who act as a bridge between civil society and the administration in conveying the expectations of these groups from the system to the government, or to convey the

demands to the system through relevant institutions. One of the reasons for the strengthening of non-profit organizations in democratic societies is the deficiencies experienced in the connection of conventional classical democracy or representative democracy with the society. We can say that classical democracy or traditional politics weakened or deteriorated in one direction, but more importantly, as the society became more complex and the demands for participation increased, classical democracy could not meet this. Classical democracy gave satisfactory results to some extent in the 1950s, when the society was not so complex and the demands were not so high, but by the 1980s and 1990s, a contradiction began to emerge (Lyons, 1993).

Although non-profit organizations are not like other organizations, they are considered as businesses in terms of their structure. A business can be defined as an economic unit that produces goods or services to meet the needs of others. When businesses are grouped according to their purposes, they are classified as for-profit and non-profit businesses. While service is foregrounded in non-profit businesses, profit is in the foreground in profit-oriented businesses. Nonprofits are made up of extremely diverse groups, from small associations to professional organizations. It is seen that many different concepts are used in the literature for naming these organizations. The most common ones are non-profit organizations, voluntary organizations, non-governmental organizations, charitable organizations, independent sector, third sector and tax-exempt organization (Lyons, 1993).

What makes nonprofits different is their purpose and their tax-free nature. The main objectives of non-profit organizations can be summarized as follows (Cengiz, 2010);

- Reducing poverty by helping the poor and those in need in the society,
- Development and improvement of education and training,
- Performance of government functions and reduction of government burdens,
- Development of health services,
- Development of social welfare for the benefit of society.

The necessary elements for an organization to be defined as a non-profit organization are as follows (Cengiz, 2010):

- Being well organized,
- Being separate from official authorities,

- Being self-directed,
- Non-profit,
- Its activities are for the benefit of society.

These organizations can operate in a wide range of areas ranging from health to education, from human rights to sustainable development, from crisis management to diplomacy. These organizations, which can be both as legal entities and in the form of a flexible structure without having a legal title, are also referred to as the "third sector". In other words, government or public institutions are defined as the first sector, for-profit market institutions as the organizations second sector, and such non-profit organizations as the third sector.

In addition to the factors arising from the organization itself, other factors are also effective in the success of non-profit organizations. In order to achieve a continuous success, all factors must be activated at the same time and in the axis of the same purpose. For this reason, the basis for the success of non-profit organizations is to value the opinions of those who contribute to the organization and those who receive service from the organization and to share them as much as possible in the functioning of the organization. These organizations should take these audiences into the focal point of their activities and focus on their wants and needs (Ilyas et al., 2020).

### **3.1.2 The Characteristics of Non-Profit Non-Governmental Organizations**

The most important feature of non-profit organizations is that they are structures established within the framework of contemporary democratic state understanding, to realize the aims of the individual in line with their own rights and interests, including influencing and controlling the state. In other words, non-governmental organizations are formations that are outside the official structure of the state, are based on the fundamental rights and freedoms of the individual and facilitate the development functions of identities of both individuals and groups in society. The characteristics of non-profit organizations are that they are not established for the purpose of knowingly and believingly to make a profit, their equities are not divided into shares belonging to real or legal persons, their surplus income is not divided, their equities cannot be transferred or sold to persons or groups (Novianingsih & Bharata, 2023).

There are also differences in accounting systems due to both the structural differences of these enterprises and the information needs of the people who will decide. It is possible to list the differences in the accounting systems of non-governmental organizations as follows (Pinho et al., 2014):

- The use of fund accounting, in which special records are kept for each asset group allocated by the cash principle instead of the realization principle,
- The necessity of conducting business activities in parallel with the annual budgets,
- Controlling expenditures for fixed assets similar to current service expenditures.

When evaluated in terms of economic activities, non-profit organizations function like a third sector alongside the private and public sectors. Likewise, a large part of social activities and services are carried out through associations and foundations, which are a special type of these organizations. There are service organizations such as associations and foundations established for the fulfillment of social purposes without a profit. We can include these organizations, which do not aim at profit, but which we can think of as a business, in the class of service businesses. Public benefit associations, foundations, institutions, etc. for its purpose, it can produce beneficial results across the country. Indeed, the work programs of some associations and foundations and the services they provide to society can provide beneficial results on society, almost like the work of a government office or a public institution (Ghani et al., 2019).

### **3.1.3 The General Activity Fields of Non-Profit Non-Governmental Organizations**

Today, non-profit organizations are divided into two, in terms of their activities, as developmental and charitable.

#### **Developmental Non-Profit Organizations**

Development-oriented non-profit organizations have started to become widespread in all over the world, especially after the second world war. In particular, the unequal distribution of world capital, the expansion of national and international colonialism, the increase in mass hunger, inequalities in health and education, human rights violations, environmental problems, the gaps arising from the inadequacy of parliamentary democracies

in the face of problems are the reasons that accelerate the emergence of such institutions. Chambers of industry, chambers of commerce, professional organizations, chambers of tradesmen are considered as examples of this type of non-profit organizations (Carolei, 2022).

The areas in which such organizations operate can be briefly listed as follows:

- To prepare projects that will support the economic development of countries,
- Trying to eliminate inequalities in the social economy,
- To strengthen inter-sectoral cooperation,
- To provide aid to underdeveloped regions and underdeveloped countries in the world,
- To create public opinion against the unbalanced functioning of the countries or the world economy,
- To offer approaches for equitable use of resources,
- To offer alternative approaches against the inadequacy of governments,
- To support private entrepreneurship,
- To ensure rational use of human resources,
- To create a vision for the public and private sectors,
- To create a search for reconciliation in the face of the internal problems of the countries and the problems affecting the world,
- Trying to create organizations with a global function in the face of economic imbalances that hinder the path to becoming a global society.

### **Charitable Non-Profit Organizations**

Trade unions, foundations, associations, bar associations, cooperatives, special counselor and rehabilitation centers, human resources centers constitute the civil initiative within this scope. It has become widespread in the world especially after 1950. Such organizations have been established in many countries of the world both in response to foreign aid and in order to provide economic development and regional balances where the

state is insufficient. The activities of such organizations can be listed as follows (Omar et al., 2013):

- To raise public awareness to protect cultural heritage,
- To create the necessary sensitivity to benefit more from the trained brain power,
- To raise awareness of the society in terms of its socio-cultural and spiritual richness,
- To strengthen the rapprochement and cooperation between the social segments,
- To spread the organized working approach,
- Enriching social communication by using media organs,
- Trying to create collective power unions that can meet on common platforms,
- Trying to benefit from social synergy,
- To help the poor in terms of education-health and meeting their compulsory needs,
- Helping to generate ideas, share, share experiences, accompany the common intuitions of the society,
- Bringing regional or local organizations and cultures to the public agenda,
- Helping with important projects, thoughts, feelings, trying to finance or creating funding,
- To facilitate the benefit of potential individuals by trying to provide educational scholarships to younger generations.

### **3.2 Legal Framework Governing Non-Profit Organizations in Turkey**

The legal framework for non-profit organizations in Turkey is drawn by the Civil Code (Turkish Civil Code) and the Associations Law (Associations Law). These laws define the operational, administrative, and legal boundaries within which non-profit organizations such as associations, foundations and cooperatives can operate (Toprak, 1995). The Turkish Civil Code, influenced by the Swiss Civil Code, provides a broad legal basis for the

establishment and operation of associations and foundations, and determines the general principles regarding their organization, management and supervision. The Law on Associations details the establishment, activities, audit, and liquidation processes of associations and determines the principles for transparency, accountability and promotion of volunteerism (Bikmen, 2004). The General Directorate of Civil Society Relations of the Ministry of Internal Affairs carries out the duties of regulating and supervising non-profit organizations in accordance with these laws, ensuring compliance with legal obligations, facilitating communication between the state and non-profit organizations and supervising public fundraising activities. In addition, the General Directorate of Foundations (General Directorate of Foundations) specifically supervises the activities of foundations, ensuring that they adhere to their missions and manage their assets effectively (Oehring, 2008).

Non-profit organizations in Turkey can basically operate in three legal forms: associations, foundations and cooperatives. Each type serves different social needs and operates under specific legal frameworks.

### **3.2.1 Associations**

Associations consist of non-profit individuals who come together for a common purpose. The Law on Associations regulates the establishment, activities and liquidation of associations. They are required to register with local authorities and are subject to periodic audits to ensure their activities comply with stated objectives. At least seven members are required to establish an association. The association must have a charter that details its purpose, name and operational procedures. Associations are managed by a board of directors elected by their members. Associations can engage in various activities, including educational, social, cultural and humanitarian work, provided that they comply with their statutes. They are responsible for submitting annual activity and financial reports to local authorities (Toprak, 1995).

The legal framework for non-profit organizations in Turkey provides a structured yet flexible environment for associations, foundations and cooperatives to establish and operate. Each legal form addresses different social needs, from promoting cultural and educational activities to providing economic support to its members. Despite facing challenges such as regulatory oversight and operational restrictions, non-profit organizations in Turkey

continue to play a vital role in civil society by contributing to social welfare, cultural richness and economic development (Okan & Okan, 2013).

### **3.2.2 Cooperatives**

Cooperatives are collective organizations established to meet the economic, social and cultural needs of their members through mutual aid and cooperation. The Cooperative Law regulates cooperative activities within the framework of the principles of cooperation, self-help and democracy. There are various types of cooperatives in Turkey, including consumer, producer, housing and credit cooperatives. Their main purpose is to provide goods, services or support to members in accordance with cooperative principles. Cooperatives require a minimum number of partners (usually five) and are governed by boards elected by their members. They operate in a democratic manner where each member has one vote, regardless of their capital share (Okan & Okan, 2013).

### **3.2.3 Foundations**

Foundations in Turkey have a historical importance dating back to the Ottoman Empire and serve as a means of financing activities for the public good. The Turkish Civil Code and special laws regarding foundations regulate the establishment and operation of foundations. Foundations are established through property foundations for a specific public benefit purpose. Unlike associations, they do not require members and are established by real persons or legal entities through statute. Foundations are governed by boards that manage donated assets and ensure that the foundation's activities achieve their goals. They are closely monitored by the General Directorate of Foundations, especially in terms of their financial management and achievement of public benefit targets (Gökflen, 2006).

## **3.3 The Economic Characteristics of Foundations**

### **3.3.1 Foundation Economic Enterprise Concept**

In terms of the existence of the foundation, which is a private law legal entity, it is essential that the purpose of the foundation is specific and permanent, as well as that the assets allocated for the purpose are sufficient. In addition to this qualification sought at the beginning, a continuous source of income must be provided in order for the foundation to achieve its purpose. In today's rapidly changing and constantly renewing economic conditions, if a foundation continues to operate with a fixed asset allocated to it during its

establishment, there is a risk that it will not be able to achieve its purpose after a while. Therefore, it is necessary for the foundation to use its assets in the most appropriate way, as well as to act in order to realize its purpose (Cordery et al., 2011).

Since foundations are charitable organizations due to their activities, it is not possible for them to carry out a commercial activity as a foundation legal entity. Due to this structure, they are not among the corporate taxpayers. However, foundations need to have some sources of income in order to achieve their goals. These resources can mostly be provided by generating income from a commercial activity.

Although foundations are not established for economic purposes, they can be owners of economic enterprises other than the legal entity of the foundation. In fact, an economic enterprise may have been allocated to the foundation during its establishment. The fact that a foundation has an economic enterprise does not weaken its main purpose. On the contrary, economic enterprises are formations that make foundations economically strong and thus accelerate their achievement of goals. In practice, it is known that some foundations carry out commercial activities under the foundation legal entity without establishing an economic enterprise, and as a result of such practices, the foundation legal entity is described as a commercial establishment (Talavera & Sanchis, 2020).

### **3.3.2 Characteristics of Foundation Economic Enterprises**

In general, there is no obstacle for foundations to run a commercial establishment. Continuity is the first factor that should be emphasized in the economic enterprises established by the foundations. What is meant by continuity is the execution of a commercial transaction more than once during the accounting period. However, even if the transaction is done continuously, if it is not done in a commercial organization, the existence of an economic enterprise cannot be mentioned. Secondly, the services produced in the enterprise must be sold for a price (Patel et al., 2015).

Although foundations are non-profit organizations, economic enterprises with a separate legal personality pursue profit. Therefore, goods and services produced by economic enterprises must be sold for a certain price. Finally, there should be no restrictions on transferring the income generated by the economic enterprise to the foundation to be used in activities aimed at achieving the foundation's purpose. In other words, the foundation

should have all kinds of rights and authority over the economic enterprise (Pinho et al., 2014).

### **3.3.3 Establishment of Foundation Economic Enterprises in Turkey**

The main institution responsible for the establishment of foundations and the supervision of their activities in Turkey is the General Directorate of Foundations. Foundations may establish economic enterprises and companies or become partners in established companies, provided that they inform the General Directorate of Foundations, in order to assist in the realization of its purpose and to generate income for the foundation. Revenues from economic enterprises, including companies, cannot be allocated to any other purpose than the purpose of the foundation. Provisions regulating the acquisition of property by foundations are also applied for the acquisition of property by companies founded by foundations whose majority of founders are foreign nationals or owned more than half of their shares by such foundations (Michael, 2023)

In order to establish an economic enterprise belonging to the foundation, first of all, the field of activity of the economic enterprise to be established must be determined. Afterwards, the capital to be allocated to the economic enterprise and the trade name of the economic enterprise must be determined and a decision must be taken by the foundation decision-making body to establish the economic enterprise. After the decision is taken, establishment notification must be made to the municipality with the corporate taxpayer number for the economic enterprise from the relevant tax office and the economic enterprise must be registered in the trade registry.

Since foundation economic enterprises must be registered with the trade registry within 15 days from the day they were established, according to Article 13 of the Trade Registry Regulation, the establishment of the enterprise will be announced to third parties by fulfilling this transaction and publishing it in the Trade Registry Gazette. In clause “c” of article 76 of the Trade Registry Regulation; In the registration of businesses established by foundations subject to the provisions of the Civil Code, the following information must be registered (Tosun & Yilmaz, 2023).

- The name of the foundation, its headquarters, the date of the foundation deed and the date of its registration by the court, the page number of the court registry and the name of the registered court,

- The purpose of the foundation,
- Names, surnames, identity information, addresses of those charged with the administration and representation of the foundation and how those authorized on behalf of the foundation will sign,
- Notarized copy of the decision made by the authorized body of the establishment of the enterprise and, if necessary, the date and, if any, the number of the certificate of permission or approval of the inspection authority,
- Which authority is responsible for the supervision of the foundation?

General Directorate of Foundations is authorized to establish an economic enterprise or company with the income and property of foundations established by the decision of the Council of Ministers. The replacement of company shares and rights with more beneficial ones, their conversion into money, their evaluation and the use of all kinds of rights related to them, and the exercise of rights related to partnership shares are also carried out by the General Directorate of Foundations (Pehlivanlı, 2013).

Another issue to be considered regarding the foundation economic enterprise is that the addressee will be on behalf of the foundation legal entity during the date, accrual, notification and payment of the tax to be paid by the enterprise. The accounting transactions of the foundation and the economic enterprise must be processed in separate books, and the operations of the foundation and the operations of the economic enterprise must be separated from each other. After deducting the taxes and other legal obligations from the profit of the economic enterprise at the end of the period, the remaining net profit is transferred to the foundation budget as income (Tomur, 2022).

#### **3.3.4 Taxation of Foundations in Turkey**

Foundations are not counted among the taxpayers of the tax in Article 1 of the Corporate Tax Law. Therefore, they are not corporate taxpayers as a legal entity. Accordingly, foundations must submit corporate tax returns for their income from any activity, such as real estate rental income, deposit interest income, treasury bills and government bond interest income, repo income, income from securities issued by mass housing and public partnership administrations and the privatization administration, and

thus, they are not subject to corporate tax. However, tax deductions must be made on such incomes of foundations in accordance with the provisions of the Income Tax Law. According to the provisions of the income tax law, the taxes collected at the time of payment are the final tax for the income of the foundations (Cankurtaran, 2021).

Earnings of foundations, other than those listed above, from economic business activities in accordance with the Corporate Tax Law are subject to corporate tax within the economic enterprise, regardless of the income element. The economic enterprise belonging to the foundation refers to the enterprises whose activities are organized by the foundation or directly operated by the foundation, while the enterprise affiliated to the foundation refers to the enterprises that are legally owned by the foundation, although the foundation does not operate directly, but is fully authorized in the determination of its administration and activities (Özdemir, 2005)

All kinds of securities interest income and real estate rental income to be obtained by foundation economic enterprises will be included in the corporate tax return with other incomes of these enterprises, even if income tax is withheld at the time of payment. Tax exemptions may be granted by the Council of Ministers, upon the recommendation of the Ministry of Finance, to foundations established for the purpose of performing a service or services that are included in the budgets of at least two-thirds of their revenues in the budgets of administrations with general and special budgets, and foundations established exclusively for the purpose of continuing and supporting the activities of state universities. As can be seen, the exemption has been granted to foundations that provide services that outweigh the public interest (Tosun & Yilmaz, 2023).

Foundations requesting to benefit from tax exemption by the Council of Ministers apply to the Ministry of Finance with a letter containing their requests. The opinions of the General Directorate of Foundations and other relevant institutions are sought by the Ministry on whether tax exemption will be granted to the foundation after a preliminary examination is made on the documents submitted in order to determine whether the determined conditions are fulfilled by the requesting foundation and their compliance is ensured. If a positive opinion is given by the organizations or it is stated that there is no objection to granting tax exemption, the activities and accounts of the foundation are examined by the Ministry of Finance. If the examination report prepared as a result of the examination is also positive, this report, a copy of the foundation's official deed and application petition, and a letter

containing the opinion of the Ministry on this matter are sent to the Presidency for a tax exemption decision from the Council of Ministers (Tomur, 2022).

According to Article 1 of the Income Tax Law, the subject of income tax is the taxes of real persons. In other words, the tax in question is levied on the income of real persons. Income, on the other hand, is the net amount of earnings and revenues earned by a person in a calendar year. The taxpayers of income tax are real persons residing in Turkey for more than six months in a calendar year, and Turkish citizens who are affiliated with official offices and institutions or organizations or enterprises headquartered in Turkey and reside in foreign countries due to their business. Foundations are institutions with legal personality established in accordance with the provisions of the Turkish Civil Code. For this reason, they are not subject to income tax due to their earnings from activities. However, with the provisions of the Income Tax Law, it is foreseen that some of the earnings of the foundation legal entity that are not subject to corporate tax are subject to income tax. According to the provisions of the Income Tax Law, tax deductions must be made on the incomes obtained by foundations from activities such as real estate rental income, deposit interest income, treasury bills and government bonds interest income or repo income (Aytekin, 2022).

Value Added Tax has entered the Turkish tax system with the Value Added Tax Law No. 3065. The tax in question is an expenditure tax levied on the additional value created only at the stages of the sale of a good or service for commercial purposes, from the stage of production or importation to the final consumer. The taxpayer is the real and legal persons who pay the tax paid for the supply of goods and services, by deducting the tax collected from the tax collected due to the delivery of goods and services, by deducting the difference and declaring the difference to the tax office to which they are affiliated, within the legal period. Those who purchase goods and services at the retail stage, that is, those who are final consumers, are not taxpayers of this tax, although they are value added tax payers. Foundations are also not value added tax payers due to their legal personality or activities that do not belong to them or are affiliated with them, but they are in the position of value added tax payer (Ucar et al., 2015).

In paragraph 3/g of article 1 of the Value Added Tax Law; It is stated that commercial, industrial, agricultural or professional deliveries and services of establishments that are owned or subject to the foundation, established or operated by the foundation will be subject to value added tax. Since foundations can carry out commercial, industrial,

agricultural and professional activities only by establishing an economic enterprise, the income to be obtained if they have such an economic enterprise and this enterprise delivers and services in the quality listed will be subject to value added tax (Fruk et al., 2022)

Real estate tax is collected in accordance with the provisions of the aforementioned Law as of 01/03/1971, when the Real Estate Tax Law No. 1319 came into force. The real authority of the property tax, which is included in the general budget revenues, has been transferred to the municipalities. Thus, property taxes were no longer a general budget revenue and began to be included in the special budget revenues of municipalities. According to the law, the subject of property tax consists of buildings, plots and lands within the borders of Turkey. The taxpayer is the person in whose name a building, land and land is registered in the title deed (Pehlivanlı, 2013).

According to paragraph (m) of Article 4 of the Real Estate Tax Law No. 1319, real estate tax exemption is used for the buildings belonging to the foundation, provided that they are not rented out and are allocated for the purposes written in the official deed. On the other hand, buildings belonging to fused foundations in paragraph (a) of article 4 of Law No. 1319, buildings belonging to foundations established to strengthen the Turkish Armed Forces (including Gendarmerie General Command) in paragraph (s), Turkish Armed Forces (Land and lands belonging to foundations established to strengthen the Gendarmerie General Command are permanently exempted from property tax. On the other hand, according to the provision of Article 77 of the Law on Foundations No. 5737, buildings, plots and lands belonging to the General Directorate of Foundations and fused foundations are permanently deducted from the building and land tax, regardless of whether they are leased or not; In addition, all business and transactions are exempted from all kinds of taxes, duties, fees and contributions (Tomur, 2022).

Municipalities collect revenues consisting of participation shares in various taxes, fees and expenditures within the framework of the provisions of the Law on Municipal Revenues dated 26/05/1981 and numbered 2464. There is no provision that excludes foundations from taxation in terms of participation in all taxes, fees and expenditures collected by municipalities within the scope of municipal revenues and listed in the Law. In this sense, when foundations do a business that concerns the share of taxes, fees and expenses, they are obliged to make the necessary payments for the relevant business (Okan & Okan, 2013)

Inheritance tax is a tax levied in accordance with the provisions of the Inheritance Tax Law dated 08/06/1959 and numbered 7338. The subject of inheritance tax, which is a type of wealth tax, is real estate or movable property that is transferred from the property of one person to the property of another person, either through inheritance or in any way without compensation. In the first article of the law, it is stated that the goods belonging to Turkish citizens and the goods in Turkey are transferred from one person to another by inheritance or in any way. Unless otherwise stated, foundations are also liable to make the necessary tax payments in the transactions made by inheritance and transfer mentioned above, since they include real and legal persons unless otherwise stated. However, in paragraph (a) of article 3 of the Inheritance and Gift Tax Law No. 7338, which regulates the exemptions; It has been decreed that those who are not subject to corporate tax from public administrations, pension and aid funds, social insurance institutions, societies for the public interest, political parties and the organizations belonging to or established among them are exempt from inheritance and tax. In paragraph (b) of the same article, it is stated that organizations other than those listed in paragraph (a) belonging to legal persons and established for purposes such as science, research, culture, art, health, education, health, charity, development, sports for the benefit of the general public are exempt from inheritance and gift tax. provision is included. Donations and aids to be made by foundations established to realize the purposes specified in paragraph (b) of Article 3 of the Inheritance Tax Law are exempt from inheritance and gift tax as long as these qualifications continue (Pehlivanlı, 2013).

The subject of the vehicle purchase tax, which was put into effect with the Financing Law No. 1318 dated 29/07/1970, is the acquisition of the vehicles written in the 4th, 5th and 6th articles of this Law, in whatever form, and the right of disposition with a power of attorney. constitutes a takeover. There are no exemptions or exceptions for foundations in the provisions of the Law No. 1318 on vehicle purchase tax. Therefore, foundations are required to pay the vehicle purchase tax if they acquire the vehicles included in the above-mentioned tariffs (Cimen et al., 2021).

Land vehicles written in the tariffs in Articles 4 and 5 of the Motor Vehicles Tax Law dated 18/02/1963 and numbered 197 were registered and registered with the General Directorate of Civil Aviation of the Ministry of Transport. It has been decreed that aircraft and helicopters registered in the port and municipality registers are subject to motor vehicle

tax. Foundations are not included among the institutions and organizations written in the articles of the Motor Vehicles Tax Law on exceptions and exemptions. For this reason, foundations are liable to motor vehicle tax due to motor vehicles included in the tariffs they own (Yılmaz, 2020).

According to the 1st article of the Stamp Duty Law No. 488 dated 01/07/1964, the subject of stamp duty is the papers written in the table no. 1 attached to this Law. The paper written in the Stamp Duty Law; It is defined as the documents prepared by writing and signing or putting a sign replacing the signature and to be submitted to prove or show any matter. However, in transactions between official offices and individuals, the stamp tax on paper must be paid by individuals. In the Stamp Duty Law, there is no provision stating that foundations are exempt from stamp tax in general (Pehlivanlı, 2013).

Within the scope of the Law of Crosses dated 02/07/1964 and numbered 492; judicial fees, notary fees, tax jurisdiction fees, land registry and cadastre fees, consular fees, passport, residence permit, visa and Ministry of Foreign Affairs approval fees, ship and port fees, concession, license fees and traffic fees. In the first paragraph of Article 38 of the Fees Law, the notary transactions written in the tariff number (2) attached to this law are subject to notary fees; In the third paragraph, it is stipulated that foundation transactions of foundations granted tax exemption by the Council of Ministers and donations to these foundations will not be subject to any fees. In subparagraph (b) of Article 59 of the Fees Law No. 492, an exception provision has been introduced for foundations granted tax exemption by the Council of Ministers (Pehlivanlı, 2013).

### **3.3.5 Revenues of Foundations**

Foundations are initially established with the income of a property or right to realize the purpose written in their official deed. Therefore, each foundation must have an income equal to the assets allocated for the establishment. Apart from that, it is clear that every foundation must regularly generate income to achieve its purpose. Although income items vary from foundation to foundation, they can generally be divided into eight groups (Yılmaz, 2020):

- Operating Income
- Affiliate Income

- Real Estate Rental Income
- Income from Securities
- Publishing Revenues
- Social Activity Income
- Donation Revenues
- Other Income

### **Operating Income**

Foundations may establish economic enterprises operating in commercial, industrial or agricultural fields in order to realize their objectives written in their official deed or to generate income for the foundation. Accordingly, in order for a foundation to speak of the existence of an economic enterprise, it is sufficient to produce or market goods or services for a fee without the need for any official action, in other words, to operate continuously in any way in the commercial, agricultural or industrial field. The annual net earnings of economic enterprises belonging to foundations must be transferred to the foundation legal entity at the end of the period. The net income of economic enterprises is the amount remaining after the required amounts such as legal reserves and tax provisions are deducted from the earnings calculated according to the end-of-period balance sheet. The net income amount of the enterprise is shown as gross income in the “economic operating incomes” item of the foundation legal entity budget. Economic enterprises belonging to foundations are corporate taxpayers and all their taxation obligations are fulfilled by the foundation's management (Aytekin, 2022).

### **Association Income**

Foundations may be established by the allocation of stocks belonging to a certain company, or after the foundation of the foundation, the shares of a company may be purchased for the purpose of generating income. The profit share that the foundation receives from the annual earnings of a capital company in which it is a shareholder in this way is the participation income of that foundation. Such incomes are also shown in the “affiliate incomes” item of the foundation's legal entity budget and are considered as gross income. Since the dividend is taxed within the body of the institution that receives it, it is also not subject to taxation within the foundation in any way (Michael, 2023)

### **Real Estate Rentals**

The income to be obtained by leasing the immovable properties owned by the foundation constitutes the rental income of the foundation. If the property allocated at the establishment of the foundation or acquired afterwards is not of a quality that can be used in line with the purpose of the foundation, it should be evaluated by renting it out. Foundations, which are a collection of goods, are generally established by appointing one or more real estate together with their income for a specific purpose, never to be taken back. Foundations can acquire real estates through donations or purchases during their activities in addition to those allocated in the establishment. Foundations provide income to the foundation by leasing their real estates that they somehow own and cannot be used for the purposes of the foundation. Income from leasing of real estates is named as “real estate capital income” in tax laws and is included in the rental income item of the foundation budget with its gross amounts every year (Tosun & Yilmaz, 2023).

### **Income from Securities**

Foundation managers should make the best use of all assets belonging to the foundation. In the assets of foundations, there may be securities that were allocated during the establishment and acquired subsequently. The most important and intense source of income of foundations is donations. Since donations are usually made in cash, the most important asset to be evaluated in foundations is the availability of cash. Interest income can be obtained by depositing the cash allocated during the establishment phase or obtained through donations to time deposit accounts. The point to be considered here is that these funds should be invested in a way that is reliable and generates an income that will enable the foundation to carry out its activities. In addition, foundations can evaluate their cash availability by buying valuable papers such as bonds and bills or by converting them into foreign currency and gold (Tosun & Yilmaz, 2023)

### **Social Activity Income**

Foundations can organize bazaars, exhibitions, concerts, trips or entertainments in which various individuals and organizations can participate in order to introduce themselves and their activities to the society. Such organizations allow foundations to create awareness in the society in order to achieve their goals and to generate income for the foundations. Revenues from such organizations should be shown as “social activity revenues” in the

foundation budget. It is clear that if the activities are repeated regularly and for a certain fee during the activity period of the foundation, the activities will become an activity belonging to the economic enterprise (Cankurtaran, 2021).

### **Publishing Revenues**

As with social activities, foundations not only inform the public about the foundation, but also enable the foundation to realize its purpose, and generate income for the foundation by selling these publications. Foundations may publish books, magazines and newspapers in accordance with the purposes written in their official deed, as well as scientific publications. Revenues from their sale or advertisements can be shown as broadcast revenue in the foundation budget. In the event that publications such as books, magazines and newspapers are constantly published, the rights to these publications are sold to a publishing house, or the published publications are sold for a fee, the transaction will become an activity belonging to the economic enterprise (Ilyas et al., 2020).

### **Donation Income**

Donations can be made to foundations by real or legal persons after their establishment, while they are alive or through death-related savings. The foundation may accept these donations unless there is a clear regulation to the contrary in the foundation deed. This is a natural consequence of the foundation's being an independent legal entity with rights and capacity to act. Donations can be conditional or unconditional at the request of the donor. Foundations can obtain donation aid revenues without any restrictions on spending, these are called unconditional donation aid revenues. Generally, donations are received in cash. These are called cash donation aids or monetary donation aids. Such donations and aids can also be received by means of payment instead of money. Unconditional donations and aids accepted by the foundation are recorded as revenues of that year. If expenditure is made within the year in which it is received from the revenues, the expenditure is recorded as an expense, the unused portion constitutes the income surplus and appears in the net asset account of the balance sheet (Ilyas et al., 2020).

Donations for which a binding condition is put forward by the donor for spending for a specific purpose are conditional donations. Donations made in this way cannot be used other than as the donor wishes to be used. Money donations made under the condition of performing a service that is among the purposes of the foundation should be monitored in an

account under the name of "conditional donations fund", and the amounts spent as they are spent should be shown among the revenues of that year. In contingent donations, the donor has the right to demand back the donated assets in case the foundation does not fulfill the condition. Donations and aids can be in the form of an intention to donate or in the form of a promise to donate. The intention to donate is not recorded, while the promise of donation is recorded under certain conditions and in certain circumstances. Since all donations received are measured and recorded at their fair value at the date of receipt, service contribution income is also recorded at the fair value of the service received or the incremental value of the asset resulting from the service received. Since donations and aids received as services are generally not based on any supporting documents, there is no clarity in recording such services (Ilyas et al., 2020).

### **Other Income**

Foundations may have other incomes other than those listed above. These incomes could be listed as below (Ilyas et al., 2020);

- Shares transferred from the general budget,
- Shares transferred from the entrances of some places, such as movie tickets,
- Funds transferred because they cannot be spent,
- Income surplus of the previous year.

### **3.3.6 Expenses of Foundations**

Although all of the expenditures made in the broad sense are understood by the term foundation expenditures, these expenditures can be generally classified under four headings. These are expenses for the purpose of the foundation, management and maintenance expenses, reserves and expenses to increase the foundation's assets (Pinho et al., 2014).

Foundation expenses can also be divided into two groups as “expenditures for the purpose of the foundation directly” and “expenditures for the purpose of the foundation (general administrative expenses) indirectly”. Indirect expenditures for the purpose of the foundation; management and maintenance incomes, reserves and expenses to increase the foundation's assets, while expenses for the purpose of the foundation directly consist of expenses for realizing the purpose written in the official deed of the foundation (Pinho et al., 2014).

### **Expenses for the Foundation's Purpose**

Since foundations are voluntary service organizations, the first of the foundation expenses is the expenses made for the realization of the purpose of the foundation. Expenditures made by foundations in order to realize the objectives written in their official deed are called “expenditures for the purpose”. The areas where such expenditures will be made vary according to the purpose of the foundation. For example, scholarship payments made to children by a foundation operating for the education of children, expenses for the construction of schools and dormitories, or expenditures to provide books, notebooks and similar educational tools constitute expenses for the purpose of the foundation (Carolei, 2022).

There is no obligation to spend the revenues of the foundation for its purposes within the same year. In cases where it is not possible to use the revenues for the purpose, these resources can be kept for use in the coming years. An important issue to be considered while making expenditures for the purpose of the foundation is the consumption of foundation resources in a way that goes against the continuity of the foundation. One of the foundation conditions for foundations is continuity. In this respect, the disposal of the foundation's assets at a level that will affect its subsequent activities is contrary to the foundation's purpose of establishment. Foundations granted tax exemption by the Council of Ministers in Turkey have to divide their expenses into two main groups in accordance with the budget template prepared by the Ministry of Finance. One of these groups is “Expenditures not to exceed 20% of Gross Income”, which includes management and maintenance expenses, reserves and investment expenditures to increase foundation assets, while the others are “Expenditures for Foundation Purposes Not Less Than 80% of Gross Expenditures” (Tosun). & Yilmaz, 2023). Decreases in the rate of expenditures for the purpose may make the foundation lose its tax exempt status. In the calculation of the ratio, the income consists of all kinds of income and profits such as donations in kind and in cash, transfers made from special funds, interest, dividend incomes. Expenses fit for purpose consist of all kinds of cash and in-kind expenditures made for the realization of the purposes written in the foundation deed, publications suitable for the purpose, expenditures for realizing the project, vehicle and building expenses made to realize the purpose (Pehlivanlı, 2013).

### **Administration Expenses**

Such expenditures are not directly aimed at realizing the purpose of the foundation, but ultimately have an impact on the realization of the foundation's purpose or operating in that direction. Some of these expenses are general expenses that can occur in any type of establishment. General expenses, rent, heating, lighting, telephone, fax, mail, stationery, printed paper, cleaning, transportation, maintenance and repair expenses and similar expenses. Foundations absolutely need personnel in order to carry out the services determined as the purpose in their official deed. Personnel expenses are a mandatory expense for foundations, and the number and quality of personnel working in the foundation vary according to the importance and size of the subjects determined as the purpose, as well as the economic power of the foundation. Personnel expenses are unavoidable expenses for a foundation and their annual amount is extremely easy to estimate. Because the foundation management knows the personnel it will employ and the amount it will pay during the year (Carolei, 2022).

### **Expenses to Increase the Foundation's Assets**

In order for foundations to realize their objectives, it is imperative that the assets allocated to their foundations protect their value and prevent their erosion in the face of inflation. The way to do this is to evaluate their assets in the most efficient way, taking into account inflation, and to make investments that increase their assets with a part of their annual income. If the foundation establishes a business to generate income, increases the size of its established business or invests in similar income-generating activities, these are called expenses that increase the assets of the foundation. In addition, income-generating movable, immovable or securities expenditures to be received from foundation incomes should also be evaluated in this group. If the building acquired by the foundation is a building to be used in accordance with the purposes of the foundation, the expenditures made for the acquisition of that building will be included in the expenditures for the purposes of the foundation of the budget. However, if the building is not directly related to the realization of the foundation's objectives and is suitable for the purpose of generating income, then the expenditures made for the acquisition of the building will have to be included in the investment expenditures section of the budget to increase the foundation's assets. Foundations may choose to purchase securities such as government bonds, treasury bills, stocks that generate income above inflation, with cash assets allocated to them in the

establishment, collected as donations or provided in other ways. Such expenditures are also in the nature of investment expenditures that increase the assets of the foundation (Pehlivanlı, 2013).

## **4 Practical Part**

### **4.1 Turkish Education Foundation (TEV)**

TEV was founded in 1967 by 205 founding members. The purpose of the Foundation is stated in its Official Deed as "To provide scholarships to successful students in need of financial support, to establish student dormitories, centers and similar institutions, to make allocations to increase the efficiency of established institutions, to create awards to encourage students' work, and to conduct scientific research on education issues". has been done. Foundation; Within the framework of the principles of being loyal to Atatürk's principles, being modern, secular and democratic, working independently and independently, being aware of public morality and responsibility in education, being open, honest and transparent, being loyal to one's promise, keeping one's word, being loyal to national and international high moral values. started to serve in the field of education (TEV, 2020).

The first goal of the foundation was to provide scholarships for 1000 students. In line with this purpose, 119 students were provided with scholarships in the first year of its establishment. In 1977, the 10th year of its establishment, this figure reached 4943 students in the country and 146 students abroad, and the Ankara, İzmir, Bursa and Adana representative offices of the foundation became operational (TEV, 2020).

The founding purpose of the foundation was determined by its first founders as “We aim to ensure that our young people who want to study in our country but cannot afford it and are worthy of all kinds of attention and help in this field can study, and that education opportunities should be open to every young person with equal rights in order to ensure equality of opportunity, which is one of the measures that will ensure the realization of Social Justice. The fact that even the free and compulsory primary education, which is constitutionally considered a state duty in our country, has not been resolved despite all the efforts since the Republic, and that two-fifths of the children still in the reading age do not have the opportunity to read, Despite the fact that secondary and higher education is not a state service only and alone, our special conditions and realities Considering that it is an inevitable homework for businessmen, intellectuals and our people to share the state's increasingly heavy and dense work on some issues, to try to help it and to take responsibility, and with these thoughts, an education movement has always been put on the shoulders of

the Republican governments. Believing in the necessity of opening a new establishment, we have established this Foundation in order to secure both the continuity of this movement and the soundness of its income sources.

The aims of the Turkish Education Foundation can be listed as follows (TEV, 2023):

- To meet the educational needs of children aged 7–16,
- To raise generations that adhere to the principles and reforms of the Republic of Turkey,
- Raising smart, prudent, thoughtful and brave individuals,
- Raising individuals with creative thinking, different perspectives and depth of horizon,
- To raise individuals who do not discriminate on language, religion, race and gender in human relations,
- To prepare programs in line with basic principles and values,
- To ensure the implementation of the prepared programs.

The main purpose of the foundation is to prepare an environment that will help students determine and meet their opportunities and needs in order to contribute to the ideal of modern Turkey and the development of humanity, and to carry out all kinds of activities in accordance with the educational understanding and principles it has adopted in order to achieve the goals it has determined in the field of education. means taking the necessary steps.

In this direction, the objectives of the foundation in the field of education;

- To provide in-kind or cash, mutual and/or gratuitous aid to students,
- Assisting students' accommodation, nutrition, health and other needs,
- To help those who open and operate student dormitories, student centers, libraries and similar places, or those who are operating or operating,
- To assist educational institutions on a project basis, to carry out or have research done for the training of qualified teachers in the fields of education and training, to support the researches with scholarships,

- To encourage and support the cooperation of non-governmental organizations, business world and university, to establish and operate and/or support educational institutions of all degrees in cooperation with universities and colleges or Turkish National Education authorities and other institutions,
- It can be listed as taking the necessary initiatives to be effective in the decision processes related to education.
- The Turkish Education Foundation's financial means to achieve its aims in the field of education;
- With the exception of legal restrictions, without limitation of quantity and value, to own and use, to sell, to movable and immovable properties, or to all kinds of goods and properties and assets consisting of both, through donations, wills, other testamentary dispositions or by purchasing, leasing or leasing, to transfer and renounce, to collect and spend their incomes and profits,
- To spend the movable and immovable properties, rights, money and other values that it appropriates through donations or bequests and other testamentary dispositions, for administration and disposition, provided that it is not contrary to the purpose and service subjects of the Foundation and is allocated to them partially or completely,
- To receive the documents representing the shares, usufruct shares, bonds or other shares of the companies or expressing an existing or emerging right or receivable, and the coupons belonging to all these, to collect and spend their income,
- To accept the decision to cooperate with foundations and university foundations that carry out activities similar to the purpose of the foundation, to undertake the management of established or to be established foundations, to take over the assets of foundations and other legal entities, and to join the Turkish Education Foundation,
- To participate in a company with money assets or assets included in the Foundation's assets in order to increase the income to be spent for its purpose, to spend the dividend or profit share corresponding to the participation shares,
- To receive all kinds of guarantees, including pledges, of movable and immovable properties for the contractual relations to be established with their current or future income, to accept reliable bank sureties;

- To borrow, pledge, mortgage and other assurances, when necessary, in order to realize the purposes of the Foundation,
- To collect aid and to organize campaigns on this subject by obtaining permission from the relevant authorities,
- It is authorized to support the projects that the Foundation deems suitable for its purpose, to generate income from them, to generate income-generating projects, and to have potential donors adopt them.
- To fulfill the conditions and obligations of all kinds of donations, wills and other testamentary dispositions accepted by the Foundation's Board of Directors;
- To work to strengthen the relations of donors, scholars, people or organizations whose projects are supported, and other beneficiaries with the Foundation;
- When necessary, to make strategic cooperation agreements or to establish cooperation networks with real or legal persons in order to carry out their activities; To cooperate with foundations and other voluntary organizations abroad, real and legal persons, international organizations that carry out similar activities in accordance with the legislation, to receive assistance from these organizations, to mutual assistance with these organizations within the scope of certain projects, provided that they serve their purpose, to conclude agreements on these issues, or to become a member of the higher organizations to be established,
- To establish and operate or to operate or to cooperate with established nursing homes, health facilities and the like for the donors of the Foundation;
- To establish economic enterprises that will operate according to the ordinary operating principles, to participate in the established ones, and to have them run directly or under supervision by an operator in order to generate income for the Foundation;
- As stated in Article 48 of the Turkish Civil Code, it is authorized and authorized to enter into contracts, such as venture, savings, acquisition, construction and similar contracts, which are deemed useful and necessary for the purpose of the Foundation and for the realization of one or all of its service areas.

TEV is an organization that plays an important role in the education sector in Turkey. TEV carries out various activities and initiatives in the field of education to improve

education in Turkey and to provide equal opportunities for students. The Foundation focuses on policy development, research and implementation of educational programs as well as opportunities for students. The most prominent of TEV's main fields of work is developing policies in the field of education. The foundation states the main purpose of this service as "to produce policy options for stronger and more equitable student outcomes in Turkey". It evaluates the geographical and economic situations and proposes policy options to ensure stronger and more equitable student outcomes in Turkey. Among these policy options being developed by the Foundation are proposals to improve student performance and provide equal opportunities for all students, with fields such as mathematics education and artificial intelligence (TEV, 2023).

TEV also conducts research and analysis studies to understand the educational environment in Turkey. An analysis by an OECD team is carried out by the Foundation on the data obtained from Turkey's international assessments such as PISA and TIMSS, and these analyzes aim to understand student performance and identify performance-related factors. Findings from these analyzes provide information on policy options to improve performance and improve equity in Turkey's education system. In terms of early childhood education, TEV emphasizes the importance of preschool education in reducing inequalities at school level and has made preschool education a consistent priority in Turkey's education policy (TEV, 2023).

TEV has taken an active role in ensuring the continuity of education during the COVID-19 pandemic. They provided support with Turkey's various distance education solutions, including online platforms, materials needed for online education, television broadcasts and mobile applications. In addition, TEV supported efforts to strengthen the infrastructure to facilitate distance education, provide free internet access and develop teachers' digital skills. . TEV also focuses on diversifying education delivery in Turkey. It provides evaluations by working on teacher induction systems in Turkey, China, New Zealand and Germany, and informs about the necessary studies in this area.

It is the board of directors that manages all the operations of the foundation and makes strategic decisions about the activities of the foundation. The duties and responsibilities of the board of directors of the foundation are listed as follows:

- It is the decision and administrative body of the Foundation and represents the Foundation.

- Takes and implements all kinds of decisions in line with the purpose and principles of the Foundation.
- It ensures that the activities of the Foundation are carried out regularly and efficiently in line with the general policies determined by the Board of Trustees, and for this purpose, it prepares the necessary draft regulations and submits it to the approval of the Board of Trustees.
- It carries out the necessary studies for the evaluation of the foundation's assets and finding new financial resources, accepts or rejects the donations or bequests envisaged to be made.
- Takes initiatives on legal, financial and similar issues and takes necessary actions with real and legal third parties on behalf of the foundation's legal entity.
- monitors and controls the financial situation of the Foundation; At the end of the accounting period, it ensures that the income-expenditure table and balance sheets are prepared and sent to the relevant public institutions and announced.
- Implements the annual budget accepted by the Board of Trustees. When new investments and expenditures are required, it prepares an additional budget and submits it to the approval of the Board of Trustees.
- Appoints the General Manager of the Foundation, whose duties, powers and responsibilities are determined by a regulation. It creates the necessary staff for the General Directorate to fulfill its function. It appoints qualified personnel, determines their salaries, and terminates their employment when necessary.
- Decides to open branches and representative offices in the country and abroad and to close those opened within the framework of the provisions of the relevant legislation; takes the necessary actions in this regard.
- Makes proposals for the election of persons who have passed or may pass important services to the Foundation as members of the Board of Trustees.
- Performs the preparations for the Board of Trustees meetings.
- Presents the activity report for the period at the Board of Trustees meetings.

- He manages the assets of the Foundation in such a way as to ensure that he brings profit in the most appropriate combination of efficiency and risk, like a prudent businessman.

- Performs other duties required by the relevant legislation, Foundation Official Act and regulations.

- Meeting and decision quorum of the Board of Directors: The Board of Directors convenes at least once a month. Meeting and decision quorum is at least 4. The decisions taken are signed by writing in the notarized decision book and leaflets.

The matters regarding the income and budget of the Foundation are as follows:

- Revenues from movable and immovable properties obtained through all kinds of conditional and unconditional donations and bequests suitable for the purpose of the foundation,

- Various incomes to be obtained from the activities and projects of the Foundation,

- Revenues to be obtained from the evaluation of the foundation's movable and immovable properties and other assets and rights,

- Revenues to be obtained from economic enterprises and affiliates affiliated to the Foundation.

- The Board of Directors prepares a budget for each calendar year that will be finalized with the approval of the Board of Trustees, and in this budget, it determines the principles and rates of allocation of revenues to services and activities to achieve the Foundation's purpose, according to the provisions of the Foundation Official Deed, as well as the conditions of donations made to the Foundation and testamentary dispositions.

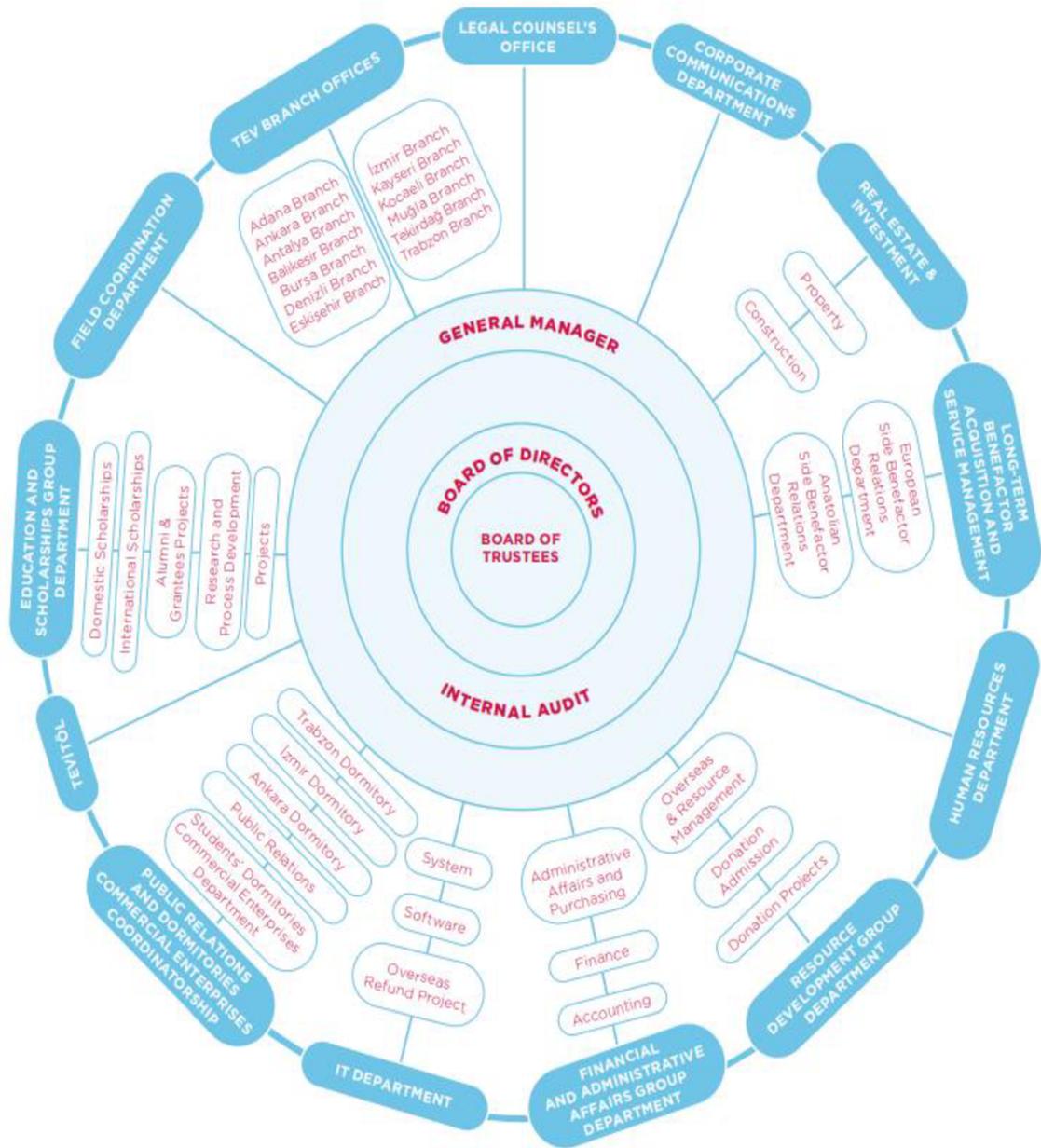
- Considering the general expenses and the commitments and risk share of the Foundation in balancing the budget, the assets obtained through conditional donations and bequests with the values included in the Foundation's assets can be transformed into investments and expenditures for the Foundation's purpose. The assets to be converted and the amount are determined by the Board of Trustees upon the proposal of the Board of Directors.

The Foundation's Supervisory Board is a body established to supervise the activities and accounts of the Foundation on behalf of the Board of Trustees. The Supervisory Board consists of three members to be elected by the Board of Trustees from within or from outside for three years. A new member is elected at the first Board of Trustees meeting to replace the member who leaves for any reason. The Supervisory Board conducts its examinations on all books, records and documents. Before the Board of Trustees meetings, it examines the Foundation's income and expenses, records, and submits its results and recommendations to the Board of Trustees with a report. If the Board of Trustees so desires, it can also have independent auditing firms make an examination. The report to be prepared is submitted to the Board of Directors to be sent to the members of the Board at least fifteen days before the Board of Trustees meeting (TEV, 2023).

TEV has branches in almost all metropolitan cities of Turkey and its field of activity covers all of Turkey. It has a total of 13 branches in Adana, Ankara, Antalya, Balikesir, Bursa, Denizli, Eskisehir, Izmir, Kayseri, Kocaeli, Mugla, Tekirdag and Trabzon. The general directorate of the foundation is located in Istanbul. There are quite large and developed dormitories for girls in Izmir, Ankara and Trabzon. Since its establishment, TEV has provided scholarships to a total of 270 thousand students and established 35 educational institutions (Tev, 2023).

The board of directors of the foundation consists of seven and the supervisory board consists of 3 people. There is also a board of trustees consisting of 60 people (Tev, 2023). The organizational chart of the foundation is shown below.

Figure 1. The organizational Chart of TEV



Source: The 2022 annual report of TEV, 2023

## 4.2 Horizontal Analysis

In this section, within the scope of horizontal analysis, the changes in the current and fixed assets, short-term and long-term liabilities and equity of the organization will be examined using the balance sheets and financial statements obtained from the reports published by TEV between 2013 and 2022.

#### 4.2.1 Current Assets

The change in the current assets of TEV between 2013 and 2022 is shown in the table below.

**Table 2. Current Assets (2013-2022) of TEV**

Annual Data (Thousands of TL)	Cash	Marketable Securities	Trade Receivables	Other Receivables	Other Current Assets	Total Current Assets
2013	99,676	12,040	149	26,012	590	138,467
2014	112,988	7,096	23	5,900	629	126,636
2015	119,469	12,336	18	3,162	1,532	136,517
2016	170,859	16,098	18	803	1,799	189,577
2017	197,280	16,158	0	0	1,791	215,229
2018	241,064	32,003	519	1,458	3,721	278,765
2019	243,926	57,376	0	737	3,553	305,592
2020	343,831	119,158	8	115	4,824	467,936
2021	505,054	285,586	113	142	10,016	800,911
2022	646,096	618,982	94	296	14,897	1,280,365

**Source:** Annual Reports of TEV (2013-2022)

When we look at the current assets of TEV between 2013 and 2022, it is seen that there is an increase of about 10 times. Its current assets, which were 114,395 thousand TL in 2013, reached 1,280,365 thousand TL in 2022. It is seen that the highest increase among the company's current assets is in tangible assets. It is seen that the increase in tangible assets has accelerated especially since 2020. It is seen that the biggest increases in the current assets of the foundation is in marketable securities. The largest share in this increase, which is over 50% in 2022, is in the public sector bond. The bond interest, which was 215,825 thousand TL in 2021, was 499,899 in 2022. However, as of 2020, inflation values in Turkey have been 14.6%, 36.08% and 64.27%, respectively. As of 2022, 49.8% of the company's revenues consist of donations, 29.2% from interest income, 15.6% from rental income and 5.3% from other and dividend income.

#### 4.2.2 Total Assets

The table showing the change in the total assets of TEV between the years 2013-2022 are presented below.

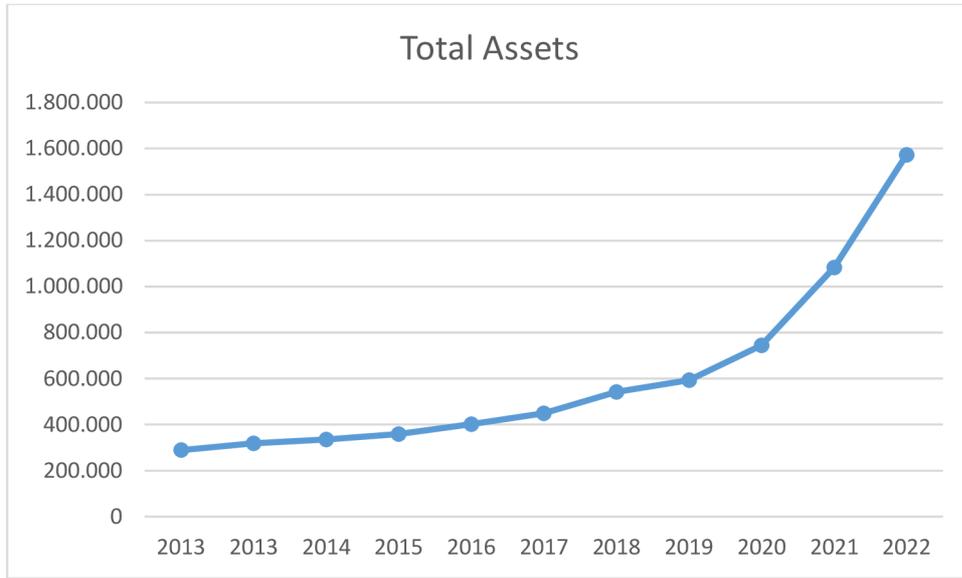
**Table 3. Total Assets (2013-2022) of TEV**

Annual Data (Thousands of TL)	Total Assets
2013	318,316
2014	334,876
2015	358,410
2016	401,360
2017	449,319
2018	542,181
2019	592,808
2020	744,052
2021	1,083,211
2022	1,573,346

**Source:** Annual Reports of TEV (2013-2022)

When the table given above is examined, it is seen that there has been an increasing trend in TEV's total assets since 2013, and a total asset of 1,573,346 TL have occurred by 2022. When the change in the total assets of the company is analyzed, a significant increase is observed in the last 3 years. It is seen that the total assets, which were 288,897 thousand TL in 2013, reached the level of 1,573,346 thousand TL by 2022. Again, as in current assets, it is seen that there has been a nearly two-fold increase after 2020. As mentioned above, Turkey's 2020 inflation rate of 64.27% contributes greatly to this increase. However, despite this, the change in the foundation's total assets was above inflation. The change in the foundation's total assets is shown below in order to be seen better. As of 2022, the majority of the foundation's assets consist of cash in banks with 631,134 thousand TL, public sector bonds with 499,899 thousand TL and buildings owned with 212,465 thousand TL.

**Figure 2. The Change of Total Assets (2013-2022)**



**Source:** Annual Reports of TEV (2013-2022)

Of course, it is the activities carried out in these years that brought the change in the foundation's total assets. For this reason, it is useful to express the fundamental breakthroughs that the foundation has made in these years. Between 2013 and 2022, Türk Eğitim Vakfı (TEV) initiated a series of transformative activities and developments, marking significant milestones in its contribution to education in Türkiye. In 2014, TEV distinguished itself as the pioneer among non-governmental organizations in Türkiye by migrating all its operational processes to an Enterprise Resource Planning (ERP) system, thereby enhancing efficiency and transparency in its activities. The opening of the TEVITOL Mehmet Nevin Bilginer Culture and Art Center in 2017, alongside the establishment of the Mugla Branch Office, signified the foundation's commitment to fostering cultural and educational growth. This expansion continued in 2018 with the inauguration of the Tekirdag Branch Office and the introduction of the "BİR DÜNYA ÇİÇEK" initiative, reinventing the tradition of donation through celebrations.

In 2019, the educational landscape was further enriched by the establishment of the TEV Uğuz Tarık Demirag Vocational and Technical Anatolian High School, aimed at providing high-quality vocational and technical education. The onset of the COVID-19 pandemic in 2020 saw TEV responding to the crisis by supporting over 200 children and young people affected by the pandemic through the Covid Heroes Memorial Scholarship Fund. The year 2021 marked the launch of the Domestic Grantees Journey project, a

collaborative effort with McKinsey & Company, designed to empower grantees with essential skills and opportunities.

The foundation's reach and impact saw a notable increase in the 2022-2023 Academic Year, with the number of grantees rising from approximately 10,000 to 12,000, highlighting TEV's growing influence in educational support. Additionally, 2022 witnessed the centralization of the switchboard system across the Head Office and branch offices, integrating Call Center and Interactive Voice Response (IVR) services, thus streamlining communication and enhancing service delivery to stakeholders. These efforts collectively underscore TEV's dedication to advancing education, culture, and support systems for students across Türkiye, demonstrating a progressive trajectory in its mission to empower the next generation.

#### 4.2.3 Short-Term Liabilities

The data of the TEV's short-term liabilities between 2013 and 2022 and the change are shown in the table below.

**Table 4. Change in Short Term Liabilities (2013-2022) of TEV**

Annual Data Thousands of TL	Short Term Liabilities
2013	1,221
2014	1,144
2015	1,313
2016	1,953
2017	1,321
2018	5,505
2019	2,814
2020	3,086
2021	8,898
2022	18,832

**Source:** Annual Reports of TEV (2013-2022)

When TEV's short-term liabilities are examined, a rapid increase is observed starting from 2020, as seen in the current assets of the organization. An almost 15-fold increase is observed in the association's short-term liabilities beyond the last 10 years. It is noticed that

this increase increases especially in 2021 and 2022. It is seen that the short-term liabilities of the association are at the level of 18,832 thousand TL as of 2022.

#### 4.2.4 Long Term Liabilities

The data on the long-term liabilities of the company are shown below.

**Table 5. Change in Long Term Liabilities (2013-2022) of TEV**

Annual Data Thousands of TL	Long Term Debt	Other Non-Current Liabilities	Total Long Term Liabilities
2013	2,309	7	2,316
2014	2,620	0	2,620
2015	3,628	0	3,628
2016	4,702	0	4,702
2017	4,769	0	4,769
2018	6,120	0	6,120
2019	6,916	0	6,916
2020	6,905	0	6,905
2021	10,293	0	10,293
2022	33,284	0	33,284

**Source:** Annual Reports of TEV (2013-2022)

It is seen that the long-term liabilities of TEV have showed a significant increase in the last 2 years. When the table above is examined, it is seen that the company's long-term liabilities, which were 6,905 thousand TL in 2020, increased to 33,284 thousand TL in 2022. An almost 20-fold increase in the long-term liabilities of the association has been observed in 10 years. The reason for the increasing debt ratio in the last two years should be evaluated with the increase in inflation in Turkey. It is seen that the foundation's borrowing is at quite reasonable levels in addition to its assets. At the same time, when the activities carried out in the last 10 years are evaluated, it is seen that the foundation has completed all its activities with very little debt.

#### 4.2.5 Equities

TEV's equity information between 2013 and 2022 is shown below.

**Table 6. Change in Equities (2013-2022) of TEV**

Annual Data Millions of TL	Shareholder Equity
2013	314,779
2014	331,112
2015	353,095
2016	395,707
2017	443,231
2018	529,739
2019	582,351
2020	734,062
2021	1,064,021
2022	1,521,230

**Source:** Annual Reports of TEV (2013-2022)

When the table above is examined, it is seen that the equities of the company have increased from 285,7 thousand TL to 1,521 thousand TL in the last 10 years. Equity has increased by 1,300 thousand TL in 10 years. It is seen that this increase, as in other financial indicators, has mostly occurred in the last two years.

#### **4.2.6 Revenues and Incomes**

TEV's revenue and income information between 2013 and 2022 is shown below. Since the association is non-profit, net income data appears to follow an irregular course. However, it is seen that both the revenue and operations expense data of the association have increased approximately 5 times in the last 10 years.

**Table 7. Change in Revenue and Incomes (2013-2022) of TEV (Million TL)**

Annual Data Millions of TL	Total Revenue	Operations Expense	Net Income
2013	37,269	49,637	-12,368
2014	44,809	56,835	-12,026
2015	54,113	53,763	350

2016	61,099	60,695	404
2017	72,316	72,305	11
2018	96,670	96,579	91
2019	98,608	98,144	464
2020	103,596	102,814	782
2021	134,498	137,596	-3,098
2022	219,580	219,570	10

**Source:** Annual Reports of TEV (2013-2022)

It is seen that the net income values of the association remained negative 4 times in the last 10 years and were positive in the other years. The net income of the association, which earned 219,580 thousand TL revenue in 2022, was 10 thousand TL. Considering the table given above and all the activities carried out by the Foundation mentioned above, it can be said that the financial management of the foundation is quite good. It is seen that all donations received and income obtained can be used for the purposes of the foundation.

### 4.3 Vertical Analysis

While performing the vertical analysis of TEV, firstly, the proportional changes of all asset data according to the total assets will be included, and then the change in the place occupied by the company's liabilities within the total liabilities will be examined.

#### 4.3.1 Vertical Analysis of Assets

Information on the proportional change in the total assets of the company's asset values between 2013 and 2022 is presented below.

**Table 8. Vertical Analysis of Assets (2013-2022) of TEV (%)**

Annual Data	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash	31.3	33.7	33.3	42.6	43.9	44.5	41.2	46.2	46.6	41.1
Tangible Assets	3.8	2.1	3.4	4.0	3.6	5.9	9.7	16.0	26.4	39.3
Trade Receivables	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Other Receivables	8.2	1.8	0.9	0.2	0.0	0.3	0.1	0.0	0.0	0.0

<b>Other Current Assets</b>	0.2	0.2	0.4	0.5	0.4	0.7	0.6	0.7	0.9	1.0
<b>Total current assets</b>	43.5	37.8	38.1	47.2	47.9	51.4	51.6	62.9	73.9	81.4
<b>Property &amp; Equipment</b>	52.6	51.1	51.3	40.8	38.7	39.2	39.7	30.5	22.0	15.8
<b>Financial Non-Current Assets</b>	3.7	10.8	9.7	11.5	12.8	8.9	8.2	6.2	3.8	2.6
<b>Receivables</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other Non-Current Assets</b>	0.2	0.2	0.9	0.5	0.6	0.5	0.6	0.5	0.3	0.2
<b>Total Non-Current Assets</b>	56.5	62.2	61.9	52.8	52.1	48.6	48.5	37.1	26.1	18.6
<b>Total Assets</b>	100	100	100	100	100	100	100	100	100	100

**Source:** Own Calculations

When the distribution of the company's assets between 2013 and 2022 is examined, it is seen that its assets largely consist of current assets, and cash assets are the largest among current assets. This situation is considered a normal situation for TEV, which has the duty of providing scholarships and educational assistance to students. However, proportionally, it is seen that the association has largely shifted its assets from fixed assets to current assets between the years 2013-2022.

#### **4.3.2 Vertical Analysis of Liabilities**

Information on the proportional change in the total liabilities of TEV between 2013 and 2022 is presented below.

**Table 9. Vertical Analysis of Liabilities (2013-2022) of TEV(%)**

Annual Data	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Trade Payables	17.56	9.11	4.92	19.55	9.44	30.47	17.08	21.75	8.30	13.69
Other Payables	7.38	10.89	9.92	0.05	0.25	10.68	1.39	0.09	30.55	18.31
Taxes and Other Current Liabilities	9.58	10.39	11.74	9.75	12.00	6.21	10.45	9.05	7.52	4.14
Total current liabilities	34.52	30.39	26.57	29.35	21.69	47.35	28.92	30.89	46.37	36.13
Long-term debt	65.28	69.61	73.43	70.65	78.31	52.65	71.08	69.11	53.63	63.87
Other long-term liabilities	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Long-term Liabilities	65.48	69.61	73.43	70.65	78.31	52.65	71.08	69.11	53.63	63.87
Total Liabilities	100	100	100	100	100	100	100	100	100	100

**Source:** Own Calculations

When we look at the company's liabilities, it is seen that the liabilities are proportionally more on the long-term liability side. While the ratio of long-term liabilities

has increased in the last 10 years, the association has shown a tendency to decrease the ratio of short-term liabilities.

## 4.4 Ratio Analysis

As mentioned before, ratio analysis makes it possible to make evaluations on various issues by comparing the financial data of the firm with each other. Ratio analysis is the most used analysis type in terms of both the number of analyzes and the importance of the results.

### 4.4.1 Current Ratio

An organization's current ratio is calculated by dividing its current assets by its current liabilities. It measures a company's ability to meet its short-term obligations with its short-term assets. The following table shows TEV's current ratio and current assets and liabilities between 2013 and 2022.

**Table 10. Current Ratios (2013-2022) of TEV (Thousands of TL)**

Annual Data	Total Current assets	Total Current liabilities	Current Ratio
2013	138,467	1,221	0.0088
2014	126,636	1,144	0.0090
2015	136,517	1,313	0.0096
2016	189,577	1,953	0.0103
2017	215,229	1,321	0.0061
2018	278,765	5,505	0.0197
2019	305,592	2,814	0.0092
2020	467,936	3,086	0.0066
2021	800,911	8,898	0.0111
2022	1,280,365	18,832	0.0147

**Source:** Own Calculations

It seems that TEV's current assets are quite sufficient compared to its current liabilities. The biggest reason for this is the cash assets that the association holds due to its mission. Therefore, the association is in a position to cover its debts with its current assets. However, it is also noticeable that there has been an increase in the current sales rate, especially in the last two years.

#### 4.4.2 Dept Ratio

The debt ratio is a financial metric that measures the amount of debt a company has relative to its assets. It is calculated by dividing total liabilities by total assets. The debt ratio is a measure of a company's financial leverage, or how much it is relying on debt to finance its operations. A higher debt ratio indicates that a company is more leveraged, or that it is relying more on debt to finance its operations. A lower debt ratio indicates that a company is less leveraged, or that it is relying less on debt to finance its operations. For non-profit organizations, the debt ratio is typically lower than for for-profit companies. This is because non-profit organizations are generally less focused on profit maximization and more focused on achieving their mission. Additionally, non-profit organizations may have more difficulty accessing debt markets than for-profit companies. The total assets, total liabilities and dept ratios of TEV for period 2013-2022 is shown below.

The calculated acid test ratio information of Amazon is presented below.

**Table 11. Dept Ratios (2013-2022) of TEV (Thousands of TL)**

Annual Data	Total Assets	Total Liabilities	Dept Ratio
2013	318,316	3,537	0.0111
<b>2014</b>	<b>334,876</b>	<b>3,764</b>	<b>0.0112</b>
2015	358,410	4,941	0.0138
<b>2016</b>	<b>401,360</b>	<b>6,655</b>	<b>0.0166</b>
2017	449,319	6,090	0.0136
<b>2018</b>	<b>542,181</b>	<b>11,625</b>	<b>0.0214</b>
2019	592,808	9,730	0.0164
<b>2020</b>	<b>744,052</b>	<b>9,991</b>	<b>0.0134</b>
2021	1,083,211	19,191	0.0177
<b>2022</b>	<b>1,573,346</b>	<b>52,116</b>	<b>0.0331</b>

**Source:** Own Calculations

When TEV's debt ratios are examined, it is seen that the association has a very low debt compared to its assets. In this respect, it can be said that the association has a healthy financial structure. However, it is also seen that the debt ratio will increase by nearly 3 times in 2022. When the 2022 report is examined, it is seen that this increase is due to the increase

in the long-term liabilities of the foundation. It is seen that these liabilities arise from the deposits and future income received from the rented buildings.

#### 4.4.3 Reliance ratio

The reliance ratio is a financial metric that measures the proportion of a non-profit organization's revenue that comes from a single source. It is calculated by dividing the organization's revenue from a particular source by its total revenue. The reliance ratio is useful for assessing a non-profit organization's financial risk. A high reliance ratio indicates that the organization is heavily reliant on a single source of revenue. If this source of revenue dries up, the organization may be at risk of financial distress. A low reliance ratio, on the other hand, indicates that the organization is more diversified in its revenue sources. This makes the organization less vulnerable to financial distress. When we look at TEV's revenues, it can be seen that the biggest source of income is donations. Reliance ratios of TEV, obtained by calculating the ratio of donation resources to total income, are presented below.

**Table 12. Reliance Ratios (2013-2022) of TEV (Thousands of TL)**

Annual Data	Donations	Total Revenue	Reliance Ratio
2013	34,735	37,269	0.93
<b>2014</b>	<b>35,407</b>	<b>44,809</b>	<b>0.79</b>
2015	28,717	54,113	0.53
<b>2016</b>	<b>44,860</b>	<b>61,099</b>	<b>0.73</b>
2017	36,223	72,316	0.50
<b>2018</b>	<b>37,254</b>	<b>96,670</b>	<b>0.39</b>
2019	41,831	98,608	0.42
<b>2020</b>	<b>49,753</b>	<b>103,596</b>	<b>0.48</b>
2021	79,456	134,498	0.59
<b>2022</b>	<b>200,157</b>	<b>219,580</b>	<b>0.91</b>

**Source:** Own Calculations

Considering that TEV's goals is to support educational activities in Turkey and provide scholarship opportunities to students, it is normal that the association creates its financial structure largely through donations. However, in order to ensure the sustainability of the association, it is important to support these activities by creating other sources of

income. For this reason, it is seen that the association creates different income sources such as rental and interest income. However, when the table above is examined, it is seen that the association's relation ratio has reached a very high rate, especially in 2022.

#### 4.4.4 Administrative Ratio

The administrative ratio is a financial metric that measures the proportion of a non-profit organization's expenses that are spent on administrative costs. It is calculated by dividing total administrative expenses by total expenses. The administrative ratio is useful for assessing a non-profit organization's efficiency. A lower administrative ratio indicates that the organization is spending less money on administrative costs and more money on its programs and services. A higher administrative ratio, on the other hand, indicates that the organization is spending more money on administrative costs and less money on its programs and services.

The table showing administrative ratios of TEV between 2013 and 2022 are shown below.

**Table 13. Administrative Ratio (2013-2022) of TEV (Thousands of TL)**

Annual Data	Management Expenses	Total Operating Expenses	Administrative Ratio
<b>2013</b>	<b>3,961</b>	<b>49,637</b>	<b>0.08</b>
2014	5,261	56,835	0.09
<b>2015</b>	<b>6,028</b>	<b>53,763</b>	<b>0.11</b>
2016	6,423	60,695	0.11
<b>2017</b>	<b>7,196</b>	<b>72,305</b>	<b>0.10</b>
2018	8,186	96,579	0.08
<b>2019</b>	<b>9,698</b>	<b>98,144</b>	<b>0.10</b>
2020	9,356	102,814	0.09
<b>2021</b>	<b>13,703</b>	<b>137,596</b>	<b>0.10</b>
2022	23,458	219,570	0.11

**Source:** Own Calculations

When TEV's administrative ratio information is examined, it is seen that although the association's expenses have increased, administrative expenses have remained in the range of 0.09-0.11 for 10 years. It is noteworthy that the highest rate occurred in 2022.

#### 4.4.5 Management Cost Rate (MCR)

Management Cost Rate is a financial metric that measures the proportion of an organization's revenue that is spent on management costs. Management costs include a variety of expenses, such as executive salaries, staff salaries and benefits, rent, utilities, office supplies, and travel expenses. The MCR can be used to assess an organization's efficiency. A lower MCR indicates that the organization is spending less money on management costs and more money on its programs and services. A higher MCR, on the other hand, indicates that the organization is spending more money on management costs and less money on its programs and services. The table showing MCR of TEV between 2013 and 2022 are shown below.

**Table 14. Management Cost Rate (2013-2022) of TEV (Thousands of TL)**

Annual Data	Management Expenses	Total Revenue	Management Cost Rate
<b>2013</b>	<b>3,961</b>	<b>37,269</b>	<b>0.11</b>
2014	5,261	44,809	0.12
<b>2015</b>	<b>6,028</b>	<b>54,113</b>	<b>0.11</b>
2016	6,423	61,099	0.11
<b>2017</b>	<b>7,196</b>	<b>72,316</b>	<b>0.10</b>
2018	8,186	96,670	0.08
<b>2019</b>	<b>9,698</b>	<b>98,608</b>	<b>0.10</b>
2020	9,356	103,596	0.09
<b>2021</b>	<b>13,703</b>	<b>134,498</b>	<b>0.10</b>
2022	23,458	219,580	0.11

**Source:** Own Calculations

Since TEV spends all its income towards its mission, in accordance with the characteristics of a non-profit association, the MCR rate is close to the administrative rate. It is seen that the association allocates around 10% of its income for 10 years to administrative expenses and is consistent in this policy.

#### 4.4.6 Net Operating Margin

Net Operating Margin is calculated by the ratio of the amount remaining after the expenses of the association from the total revenue to revenue. Even though associations are non-profit, if the net operating margin is not healthy, there will be problems in the activities of the association. It is desirable to have as positive a margin as possible. Otherwise, the association's debt ratio will increase, and this situation will not be sustainable. Below, TEV's net operating margin values between 2013 and 2022 are presented.

**Table 15. Operating Profit Margins (2013-2022) of TEV**

Annual Data	Total Revenue	Total Operating Expenses	Net Operating Margin
2013	37,269	49,637	-0.3319
2014	44,809	56,835	-0.2684
2015	54,113	53,763	0.0065
2016	61,099	60,695	0.0066
2017	72,316	72,305	0.0002
2018	96,670	96,579	0.0009
2019	98,608	98,144	0.0047
2020	103,596	102,814	0.0075
2021	134,498	137,596	-0.0230
2022	219,580	219,570	0.0000

**Source:** Own Calculations

When the net profit margin values of the association are examined, it is seen that it remained negative between 2013, 2014 and 2021, and was otherwise positive. It is seen that the income and expenses of the association remain at equal levels in 2022. Although a negative margin was achieved in some years, it can be said that the company's net profit margin values have generally appeared healthy in recent years.

#### 4.4.7 Primary Reserve Ratio

The primary reserve ratio is a financial metric that measures the ability of a company or organization to meet its short-term obligations with its short-term assets. It is calculated by dividing net current assets by total expenses. Net current assets are current assets minus current liabilities. Current assets are assets that can be converted into cash within one year, such as cash, inventory, and accounts receivable. Current liabilities are liabilities that must

be paid within one year, such as accounts payable and short-term debt. TEV's primary Reserve Ratio values calculated for the years 2013-2022 are presented below.

**Table 16. Primary Reserve Ratios (2013-2022) of TEV (Thousands of TL)**

Annual Data	Total current assets	Total current liabilities	Total Expenses	Primary Reserve Ratios
2013	138,467	1,221	49,637	2.76
2014	126,636	1,144	56,835	2.21
2015	136,517	1,313	53,763	2.51
2016	189,577	1,953	60,695	3.09
2017	215,229	1,321	72,305	2.96
2018	278,765	5,505	96,579	2.83
2019	305,592	2,814	98,144	3.09
2020	467,936	3,086	102,814	4.52
2021	800,911	8,898	137,596	5.76
2022	1,280,365	18,832	219,570	5.75

**Source:** Own Calculations

When the table above is examined, it can be seen that the primary reserve ratio of the association has entered an increasing trend, especially in the last 4 years. The company recorded significant growth in terms of primary reserve ratio between 2020-2022.

## **5 Results and Discussion**

In democratic societies, the way for individuals to make their voices heard, to seek their legal rights, to easily overcome problems that they cannot overcome as individuals, and to meet the vital needs that the State cannot meet for various reasons, as well as its primary duties such as protecting borders and ensuring security, is through coming together under the roof of a non-governmental organization. In our country, as in other democratic societies, civilians want to achieve their efforts to have their rights granted by law recognized in a timely and appropriate manner, or to be given new rights through legal regulations, by establishing an association or union. These formations, which are called voluntary organizations (NGO - non-governmental organizations) in developed societies and are organized as the third sector and can influence the political will from time to time in determining the paths to be followed in solving the country's basic problems, have begun to assume this role in our country, albeit to a limited extent (Bikmen, 2004).

Unfortunately, these institutions, which are indispensable elements of society, have been used for purposes other than their real functions over time. Such deviations have also negatively affected associations that aim to operate in accordance with their true identity. Especially in Western countries, the social contribution and benefits of voluntary organizations are now accepted as an indisputable necessity. One of Turkey's most important steps towards the European Union is to restructure non-governmental organizations. This is why it is necessary to reshape associations, especially in accordance with European Union norms. As long as the necessary importance is given to non-governmental organizations, social welfare will increase and the burden of the state will decrease noticeably. As non-profit associations have been used as tools in commercial relations over time, the necessity of making these institutions, which were originally thought not to be taxable, taxpayers has become debatable (Okan & Okan, 2013).

Today, tens of thousands of civil society movements operate under the umbrella of foundations, associations, professional organizations, unions and political parties. In order for the civil society world, which has reached a gigantic size, to function regularly, laws or standards must be determined in this field. In this context, it is seen that NGOs are subject to various legal regulations on topics such as establishment, organization, financing, execution and control of activities. Informing stakeholders about the activities of NGOs and

the financial results of their activities, also defined as accountability in NGOs, is one of the issues regulated by law (Birler, 2012).

In this study, the 10-year balance sheets and financial statements of the Turkish Education Foundation were analyzed in all aspects. In this section, the results obtained from the analyzes will be examined.

First of all, the situation of the foundation's total assets and liabilities over a 10-year period was analyzed both horizontally and vertically, and it was seen that the company's assets were largely kept in cash in bank accounts, and its fixed assets mostly consisted of owned buildings. The dept ratio of the foundation was generally around 1%. It has been observed that the highest value is 3% in 2022. It has been observed that an average of 65% of the Foundation's liabilities consist of long-term liabilities.

It was observed that the increase in the foundation's dept ratio in 2022 was due to the increase in long-term liabilities, and it was understood that these liabilities consisted of deposits and future income from rented buildings. During these 10 years, the foundation opened 2 dormitories, 1 school, 1 cultural center and 2 branches, and gave scholarships to an average of 7000 students every year. In addition to all this, it increased the number of donors by organizing many different events and campaigns, and organized aid activities in times when people were in difficult situations such as Covid 19.

It has been observed that the foundation generally uses all the donations and financial earnings it receives in accordance with its purpose and organizes its financial resources with a professional management by having a sustainable corporate structure. Considering the schools, dormitories and scholarships it has opened in the 10-year period, it can be seen that the foundation, which set out to contribute to Turkey's education, manages its economy in accordance with this goal.

## **6 Conclusion**

Nowadays, the importance of non-governmental organizations is increasing day by day. For Turkey, especially with the accession process to the European Union, there has been an increase in the importance given to non-governmental organizations, and the state has supported foundations and associations to have a more institutional structure. Legal regulations of foundations and associations in Turkey are determined by the Civil Code and the Foundations Law and are supported by some regulations within this framework. Foundations are the most active organizations of non-governmental organizations. The entire legal structure of these organizations has been determined and brought to a certain standard. Foundations; as their credibility increases in the eyes of their members, the public and the state, their income and expenses also increase. One of the most important duties of foundation managers is to ensure that business and transactions related to income and expenses are carried out properly. The increase in the diversity and business volume of business and transactions has necessitated the effectiveness and necessity of accounting.

Financial analysis is the process of comparing the changes in the values in the financial statement data, the relationships between them, and comparisons with similar businesses in order to determine the financial situation and financial development of a business (whether public or commercial). First, the financial situation of the analyzed company is determined and strategic planning for the future is made by determining where it is financially in the past and today. Not only business managers benefit from financial analysis; all internal and external environmental elements of the business use and interpret this information in their own way. By using various analysis techniques, the change that the business has shown over time is analyzed by trying to determine whether the profitability of the business is sufficient, whether it has the ability to pay debts, whether short-term and long-term debts will be paid on time, whether the use of assets is efficient or not.

In this study, the financial statements of the Turkish Education Foundation for the last 10 years have been analyzed, and it has been observed that the foundation managed its finances in accordance with its purpose during this period, increased its assets and increased its activities of providing schools, dormitories and scholarships, and while increasing these, it was able to increase the number of donors and obtain returns from its financial resources without going into excessive debt.

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