# INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
# dba FORT WORTH SISTER CITIES INTERNATIONAL

## Financial Statements

## As of and For the Years Ended September 30, 2011 and 2010

## (With Independent Auditors' Report)

TABLE OF CONTENTS


| | Page |
|---|---|
| Independent Auditors' Report | |
| Financial Statements: | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statement of Functional Expenses for the year ended September 30, 2011 | 4 |
| Statement of Functional Expenses for the year ended September 30, 2010 | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

Hartman Leito & Bolt, LLP
Accountants and Consultants

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Sister Cities Association of Fort Worth, Inc.
dba Fort Worth Sister Cities International:

We have audited the accompanying statements of financial position of International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International (the "Association") as of September 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2011 and 2010 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hartman Leito & Bolt, LLP

January 24, 2012
Fort Worth, Texas

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INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Statements of Financial Position
September 30, 2011 and 2010

| ASSETS | 2011 | 2010 |
|---|---|---|
| Current assets: | | |
| Cash | $ 178,776 | $ 357,694 |
| Pledges and accounts receivable | 57,172 | 18,106 |
| Investments - short-term | 50,158 | 152,185 |
| Prepaid expenses | 14,526 | 12,922 |
| Total current assets | 300,632 | 540,907 |
| Property and equipment, net | 2,565 | 8,004 |
| Investments - long-term | 407,711 | 209,761 |
| Other assets | 424 | 801 |
| Total assets | $ 711,332 | $ 759,473 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 66,739 | $ 37,920 |
| Deferred revenue | 168,247 | 188,394 |
| Total current liabilities | 234,986 | 226,314 |
| Commitments and contingencies | - | - |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 65,557 | 129,498 |
| Designated | 397,990 | 399,990 |
| Total unrestricted net assets | 463,547 | 529,488 |
| Temporarily restricted | 12,799 | 3,671 |
| Total net assets | 476,346 | 533,159 |
| Total liabilities and net assets | $ 711,332 | $ 759,473 |

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Statements of Activities
For the Years Ended September 30, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| **Support and revenue:** | | |
| Contributions | $ 3,314 | $ 22,112 |
| In-kind contributions | 54,875 | 50,925 |
| Fort Worth contract | 50,000 | 50,000 |
| Membership dues | 46,875 | 49,625 |
| Special events | 326,798 | 267,857 |
| Programs and exchanges | 636,201 | 546,624 |
| Investment income | 5,852 | 25,281 |
| Total unrestricted revenue | 1,123,915 | 1,012,424 |
| **Expenses:** | | |
| Programs and exchanges | 971,946 | 902,867 |
| Fundraising | 157,278 | 144,530 |
| General and administrative | 60,632 | 57,154 |
| Total unrestricted expenses | 1,189,856 | 1,104,551 |
| Change in unrestricted net assets | (65,941) | (92,127) |
| **Changes in temporarily restricted net assets:** | | |
| Contributions | 9,128 | 805 |
| Change in temporarily restricted net assets | 9,128 | 805 |
| Change in net assets | (56,813) | (91,322) |
| Net assets at beginning of year | 533,159 | 624,481 |
| Net assets at end of year | $ 476,346 | $ 533,159 |

The accompanying notes are an integral part of these financial statements.

# INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC
## d.b.a. FORT WORTH SISTER CITIES INTERNATIONAL
## Statement of Functional Expenses
## Fort the Year Ended September 30, 2011

| | Programs and Exchanges | | | | | | | | | | | | Fundraising | | | General and Administrative | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sister City Committee Events and Programs | Youth and Educator Ambassador Program | Fort Worth Youth International and Young Professionals Program | International Leadership Academy | Junior International Leadership Academy | Reggio Emilia 25th Anniversary | Budapest Official Visit to Fort Worth | Nagaoka Earthquake & Tsunami Relief | Mbabane SCI-AUPAP Project | Guiyang, China Sister Cities Signing | Reggio Culinary & Trier Christkindlmarkt Programs | Total Programs and Exchanges | Direct Benefit to Donor | Other Fundraising | Total Fundraising | General & Administrative | Total |
| Bank Fees | $ 251 | $ 1,104 | $ 252 | $ 295 | $ 66 | $ 1,677 | $ 247 | $ 128 | $ 39 | $ 54 | $ 332 | $ 4,445 | $ - | $ 2,334 | $ 2,334 | $ 275 | $ 7,054.00 |
| Contract Labor | - | 450 | - | 10,440 | 3,200 | - | - | - | - | - | - | 14,090 | - | 9,150 | 9,150 | 7,633 | 30,873 |
| Copier Lease and Maintenance | 531 | 1,231 | 514 | 612 | 116 | 675 | 452 | 21 | 85 | 117 | 186 | 4,540 | - | 584 | 584 | 595 | 5,719 |
| Depreciation | 505 | 1,171 | 489 | 582 | 110 | 642 | 430 | 20 | 81 | 111 | 177 | 4,318 | - | 556 | 556 | 566 | 5,440 |
| Dues and Subscriptions | 251 | 582 | 243 | 290 | 155 | 319 | 214 | 10 | 40 | 55 | 296 | 2,455 | - | 277 | 277 | 282 | 3,014 |
| Employee Salaries | 29,224 | 67,696 | 28,280 | 33,659 | 6,354 | 37,119 | 24,851 | 1,164 | 4,687 | 6,417 | 10,224 | 249,675 | - | 32,149 | 32,149 | 32,746 | 314,570 |
| Payroll Taxes | 2,505 | 5,803 | 2,424 | 2,885 | 545 | 3,182 | 2,130 | 100 | 402 | 550 | 876 | 21,402 | - | 2,756 | 2,756 | 2,807 | 26,965 |
| Employee Benefits | 3,086 | 7,149 | 2,986 | 3,554 | 671 | 3,920 | 2,624 | 123 | 495 | 678 | 1,080 | 26,366 | - | 3,395 | 3,395 | 5,458 | 35,219 |
| Gifts | 894 | 5,110 | 507 | 104 | 1,671 | 855 | 178 | 16,004 | 15 | 20 | 47 | 25,405 | - | 1,141 | 1,141 | 102 | 26,648 |
| Insurance | 485 | 1,124 | 470 | 559 | 105 | 616 | 413 | 19 | 78 | 107 | 170 | 4,146 | - | 534 | 534 | 544 | 5,224 |
| Legal and Professional | 1,669 | 3,867 | 1,615 | 1,923 | 363 | 2,120 | 1,420 | 66 | 268 | 367 | 584 | 14,262 | - | 1,836 | 1,836 | 1,871 | 17,969 |
| Marketing | 2,164 | 5,131 | 1,677 | 23,811 | 993 | 2,679 | 1,863 | 67 | 272 | 372 | 910 | 39,939 | - | 29,194 | 29,194 | 1,898 | 71,031 |
| Meetings | 935 | 759 | 584 | 270 | 51 | 297 | 448 | 9 | 38 | 51 | 82 | 3,524 | - | 612 | 612 | 262 | 4,398 |
| Parking | 7 | 4 | 2 | 11 | - | 2 | 2 | - | - | - | 1 | 29 | - | 2 | 2 | 2 | 33 |
| Postage and Shipping | 427 | 1,365 | 331 | 724 | 404 | 1,302 | 982 | 14 | 55 | 75 | 265 | 5,944 | - | 4,288 | 4,288 | 383 | 10,615 |
| Rent | 3,769 | 6,430 | 2,846 | 17,537 | 6,979 | 3,526 | 2,360 | 111 | 445 | 610 | 971 | 45,584 | - | 9,054 | 9,054 | 3,110 | 57,748 |
| Scholarships | - | 63,494 | - | 12,732 | 2,775 | - | - | - | - | - | 2,630 | 81,631 | - | - | - | - | 81,631 |
| Supplies and Equipment | 512 | 1,076 | 504 | 3,294 | 1,481 | 591 | 373 | 17 | 70 | 96 | 153 | 8,167 | - | 7,637 | 7,637 | 491 | 16,295 |
| Technology | 295 | 684 | 286 | 340 | 64 | 375 | 251 | 12 | 47 | 65 | 103 | 2,522 | - | 325 | 325 | 331 | 3,178 |
| Telephone | 855 | 1,981 | 828 | 985 | 186 | 1,086 | 727 | 34 | 137 | 188 | 299 | 7,306 | - | 941 | 941 | 958 | 9,205 |
| Travel, Meals and Entertainment | 7,210 | 151,945 | 1,516 | 96,248 | 2,339 | 90,828 | 9,884 | 11 | 46 | 62 | 46,107 | 406,196 | 50,513 | - | 50,513 | 318 | 457,027 |
| | $ 55,575 | $ 328,156 | $ 46,354 | $ 210,855 | $ 28,628 | $ 151,811 | $ 49,849 | $ 17,930 | $ 7,300 | $ 9,995 | $ 65,493 | $ 971,946 | $ 50,513 | $ 106,765 | $ 157,278 | $ 60,632 | $ 1,189,856 |

**The accompanying notes are an integral part of these financial statements.**

# INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC
## d.b.a. FORT WORTH SISTER CITIES INTERNATIONAL
## Statement of Functional Expenses
## Fort the Year Ended September 30, 2010

| | Programs and Exchanges | | | | | | | | | | | | Fundraising | | | General and Administrative | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sister City Committee Events and Programs | Youth and Educator Ambassador Program | Fort Worth Youth International and Young Professionals Program | International Leadership Academy | Junior International Leadership Academy | Budapest Spring on the Danube | Mbabane 5th and Reggio Emilia 25th Anniversaries | Bicentennial Celebration and Spanish Immersion | Mbabane SCI - AUPAP Project | China Sister City Search | Other Programs and Exchanges | Total Programs and Exchanges | Direct Benefit to Donor | Other Fundraising | Total Fundraising | Office Relocation | Other General and Administrative | Total General and Administrative | Total |
| Bank Fees | $ 598 | $ 214 | $ 86 | $ 313 | $ 56 | $ 25 | $ 147 | $ 115 | $ 153 | $ 266 | $ 394 | $ 2,367 | $ - | $ 924 | $ 924 | $ 76 | $ 216 | $ 292 | $ 3,583 |
| Contract Labor | - | - | 6,252 | 8,490 | 2,800 | - | - | - | - | - | - | 17,542 | - | 10,604 | 10,604 | - | 647 | 647 | 28,793 |
| Copier Lease and Maintenance | 1,298 | 465 | 188 | 681 | 122 | 54 | 319 | 250 | 331 | 218 | 831 | 4,757 | - | 442 | 442 | 166 | 470 | 636 | 5,835 |
| Depreciation | 1,765 | 632 | 255 | 926 | 166 | 74 | 434 | 340 | 451 | 296 | 1,130 | 6,469 | - | 601 | 601 | 225 | 639 | 864 | 7,934 |
| Dues and Subscriptions | 799 | 207 | 83 | 302 | 54 | 24 | 142 | 111 | 147 | 347 | 904 | 3,120 | - | 196 | 196 | 74 | 209 | 283 | 3,599 |
| Employee Salaries | 70,587 | 25,284 | 10,215 | 37,022 | 6,630 | 2,950 | 17,353 | 13,610 | 18,019 | 11,833 | 45,175 | 258,678 | - | 24,015 | 24,015 | 9,010 | 25,538 | 34,548 | 317,241 |
| Payroll Taxes | 5,943 | 2,129 | 860 | 3,117 | 558 | 248 | 1,461 | 1,146 | 1,517 | 997 | 3,804 | 21,780 | - | 2,022 | 2,022 | 758 | 2,150 | 2,908 | 26,710 |
| Employee Benefits | 5,453 | 1,953 | 789 | 2,860 | 512 | 228 | 1,340 | 1,051 | 1,392 | 914 | 3,489 | 19,981 | - | 1,855 | 1,855 | 696 | 1,973 | 2,669 | 24,505 |
| Gifts | 505 | 815 | 24 | 1,100 | 969 | 7 | 724 | 162 | 42 | 28 | 1,448 | 5,824 | - | 934 | 934 | 21 | 60 | 81 | 6,839 |
| Insurance | 1,118 | 400 | 162 | 1,950 | 105 | 47 | 275 | 216 | 414 | 187 | 715 | 5,589 | - | 380 | 380 | 143 | 404 | 547 | 6,516 |
| Legal and Professional | 4,026 | 1,442 | 583 | 2,112 | 378 | 168 | 990 | 776 | 1,028 | 675 | 2,577 | 14,755 | - | 1,370 | 1,370 | 514 | 1,457 | 1,971 | 18,096 |
| Marketing | 7,463 | 2,434 | 824 | 4,245 | 1,095 | 808 | 2,311 | 1,141 | 1,103 | 1,272 | 2,995 | 25,691 | - | 23,004 | 23,004 | 552 | 1,564 | 2,116 | 50,811 |
| Meetings | 1,320 | 197 | 322 | 288 | 52 | 23 | 135 | 231 | 140 | 92 | 380 | 3,180 | - | 387 | 387 | 70 | 199 | 269 | 3,836 |
| Membership Development | 2,280 | 817 | 330 | 1,196 | 214 | 95 | 561 | 440 | 582 | 382 | 1,459 | 8,356 | - | 776 | 776 | 291 | 825 | 1,116 | 10,248 |
| Parking | 656 | 235 | 97 | 344 | 62 | 27 | 161 | 127 | 168 | 110 | 420 | 2,407 | - | 223 | 223 | 84 | 237 | 321 | 2,951 |
| Postage and Shipping | 1,363 | 717 | 260 | 573 | 80 | 345 | 609 | 309 | 340 | 453 | 890 | 5,939 | - | 4,809 | 4,809 | 108 | 307 | 415 | 11,163 |
| Rent | 7,197 | 2,372 | 1,687 | 17,473 | 6,997 | 277 | 1,628 | 1,277 | 1,691 | 1,110 | 4,580 | 46,289 | - | 6,166 | 6,166 | 845 | 2,396 | 3,241 | 55,696 |
| Scholarships | - | 56,842 | - | 19,310 | 1,000 | - | - | - | - | - | 700 | 77,852 | - | - | - | - | - | - | 77,852 |
| Supplies and Equipment | 2,755 | 659 | 729 | 7,889 | 1,131 | 43 | 313 | 200 | 265 | 174 | 891 | 15,049 | - | 8,487 | 8,487 | 133 | 376 | 509 | 24,045 |
| Technology | 901 | 323 | 130 | 473 | 85 | 38 | 222 | 174 | 230 | 151 | 577 | 3,304 | - | 307 | 307 | 115 | 326 | 441 | 4,052 |
| Telephone | 2,364 | 1,022 | 342 | 1,240 | 222 | 99 | 581 | 456 | 603 | 396 | 1,513 | 8,838 | - | 804 | 804 | 302 | 855 | 1,157 | 10,799 |
| Travel, Meals and Entertainment | 11,128 | 144,018 | 2,912 | 108,900 | 863 | 28,031 | 6,883 | 18,332 | 2,414 | 10,658 | 10,961 | 345,100 | 54,769 | 1,455 | 56,224 | 552 | 1,571 | 2,123 | 403,447 |
| | $ 129,519 | $ 243,177 | $ 27,130 | $ 220,804 | $ 24,151 | $ 33,611 | $ 36,589 | $ 40,464 | $ 31,030 | $ 30,559 | $ 85,833 | $ 902,867 | $ 54,769 | $ 89,761 | $ 144,530 | $ 14,735 | $ 42,419 | $ 57,154 | $ 1,104,551 |

**The accompanying notes are an integral part of these financial statements.**

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
d.b.a. FORT WORTH SISTER CITIES INTERNATIONAL
Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (56,813) | $ (91,322) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 5,440 | 7,934 |
| Realized loss (gain) on investments | 1,424 | (3,816) |
| Unrealized loss (gain) on investments | 4,826 | (14,149) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in pledges and accounts receivable | (39,066) | 14,414 |
| (Increase) decrease in prepaid expenses and other assets | (1,227) | 16,136 |
| Increase in accounts payable and accrued liabilities | 28,819 | 2,313 |
| (Decrease) increase in deferred revenue | (20,147) | 4,562 |
| Net cash used in operating activities | (76,744) | (63,928) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (7,227) |
| Proceeds from sale of investments | 239,889 | 181,186 |
| Purchase of investments | (342,063) | (131,420) |
| Net cash (used in) provided by investing activities | (102,174) | 42,539 |
| CASH FLOWS FROM FINANCING ACTIVITIES | - | - |
| Net decrease in cash | (178,918) | (21,389) |
| Cash at beginning of year | 357,694 | 379,083 |
| Cash at end of year | $ 178,776 | $ 357,694 |

The accompanying notes are an integral part of these financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Organization

The mission of the International Sister Cities Association of Fort Worth, Inc., d.b.a. Fort Worth Sister Cities International (the "Association") is to advance peace through lasting relationships and international understanding.

The Association promotes tourism for the City of Fort Worth (the "City") while coordinating all activities involving the City and its sister cities. The Association's activities include coordinating cultural, educational and athletic exchanges, preparing meeting facilities, hotel accommodations and travel plans for sister city activities, and any other services the City may request in conjunction with sister cities activities.

The programs of the Association include:

Sister City Committee Events and Programs - Regular meetings, events, and activities organized by members that feature the cultures of Fort Worth's seven sister cities.

Youth and Educator Ambassador Program - Educational and cultural youth exchanges between Fort Worth and its sister cities.

Forth Worth Youth International and Young Professionals Program - The Fort Worth Youth International program provides the opportunity for local students to meet during the year to plan and participate in cultural events in order to build leadership and international understanding. The Young Professionals Program provides the opportunity for former youth ambassadors to meet during the year to plan and participate in cultural events and exchanges.

International Leadership Academy - A summer program where high school students from all sister cities are invited to participate in cultural, leadership and educational activities, explore problems and problem solving around the world, discuss issues and ideas and build relationships through home-housing in Fort Worth.

Junior International Leadership Academy - A summer program where middle school students from Fort Worth participate in cultural, leadership and educational activities, explore problems and problem solving around the world, discuss issues and ideas and build relationships.

Reggio Emilia 25th Anniversary - Outbound exchange to celebrate the 25th anniversary of the signing of Fort Worth's first Sister Cities relationship with Reggio Emilia, Italy. Officials re-affirmed the relationship, as well as took the opportunity to create new friendships. The delegation included city officials, board leadership, members and staff. Delegates experienced home hosted dinners with citizens of Reggio Emilia to further solidify the people-to-people diplomacy effort.

Budapest Official Visit to Fort Worth - Inbound exchange to welcome the new Mayor of Budapest, Hungary, as well as several other officials. This was the first meeting between the new mayors of both cities and provided an opportunity for them to strengthen the Sister Cities relationship. While here the Hungarian officials committed to expanding programs in business, tourism, education and the arts.


(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Organization (Continued)

Toluca Official Visit to Fort Worth - Inbound exchange of large delegation from Toluca, Mexico including council members, economic development and Chamber of Commerce representatives, as well as citizens of Toluca. The program included meetings with the Fort Worth Chamber and City Economic Development staff to further develop exchanges and re-commit to the partnership under the newly elected Mayor of Toluca.

Nagaoka Earthquake & Tsunami Relief - A humanitarian effort to raise money to assist the people in Japan affected by the March 2011 earthquake and ensuing tsunami. Donors included Sister Cities members, schools, and other organizations in Fort Worth. The project created an awareness of and commitment to our sister city being supportive and responsive in a crisis situation.

Mbabane SCI - AUPAP Project– Efforts, funded in part by a grant from Sister Cities International as part of the African Urban Poverty Alleviation Program.

Guiyang, China Sister Cities Signing - This program is part of the official signing of Fort Worth's 8th Sister City, Guiyang, China. The process involved several years and involved visiting two Chinese cities that met Fort Worth's partnership criteria. After a recommendation by the search group, the board of directors and City of Fort Worth approved the final selection. This is a multi-year program including the search phase during 2008 and 2010, official signing in Fort Worth on October 17, 2011 and reciprocal signing in Guiyang, China scheduled for April 2012.

Reggio Emilia Culinary Exchange - Outbound culinary immersion exchange to Reggio Emilia, Italy in partnership with the Culinary School of Fort Worth. The long range goal for the Culinary School is to develop a model via Italy's program to establish culinary learning opportunities for Fort Worth students in other sister cities.

Trier Christkindlmarkt Outbound Exchange - Outbound exchange to Trier for Sister Cities' members to experience the traditions and culture of Germany during the Christmas season. The exchange included a visit to City Hall including a meeting with Trier's Mayor Jensen. The delegates also experienced home hosted dinners provided by Trier citizens giving delegates a people-to-people connection.

Budapest Spring on the Danube – Outbound exchange focused on allowing individuals from Fort Worth to experience the culture of Budapest, Hungary.

Mbabane 5th and Reggio Emilia 25th Anniversaries - Inbound and outbound exchange and local activities celebrating the anniversaries of the establishment of the sister city relationships with Mbabane, Swaziland and Reggio Emilia, Italy.

Bicentennial Celebration and Spanish Immersion – The Bicentennial Celebration is an outbound exchange to Toluca, Mexico to celebrate the 200th anniversary of Mexican independence and the 100th anniversary of the Mexican revolution. The Spanish Immersion is an outbound exchange to Toluca, Mexico for people who want to develop and improve their Spanish language skills and knowledge.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Organization (Continued)

China Sister City Search - Efforts related to forming a new sister city relationship in China.

Other Programs and Exchanges - Various activities for the benefit of members.

(b) Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Represents resources that are generally not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/ or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

(c) Revenue and Other Support

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction is met in the same year the gift is received, the gift is classified as an increase in unrestricted net assets.

The Association reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets, with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.


(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and Cash Equivalents

For purpose of cash flows the Association considers cash in banks and certificates of deposit with original maturity dates of less than 90 days to be cash and cash equivalents.

(e) Pledges and Accounts Receivable

The Association uses the direct charge-off method of accounting for bad debts on pledges and accounts receivable. All accounts considered uncollectible, if any, have been charged off and, in the opinion of management, losses on the remaining accounts will not be significant. Accounts receivable balances approximate their fair values due to their short maturities.

(f) Investments

The Association records all investments in debt and equity securities with readily determinable market values at fair value in the statements of financial position. See Note 2 for additional information regarding fair value of investments.

(g) Property and Equipment

The Association capitalizes all assets with cost greater than $1,000 and a useful life greater than three years. Purchased property and equipment are carried at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 7 years. Donated assets with estimated values greater than $1,000 and a useful life greater than three years are also capitalized at the estimated fair value at the date of the donation. Such assets are depreciated in the same manner as purchased assets.

(h) Impairment of Long-Lived Assets

The Association periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. No such losses were recognized the years ended September 30, 2011 and 2010.

(i) Deferred Revenue

Deferred revenue consists of amounts received in advance from program fees and fundraising events that will occur in the following year.

(j) Contributed Materials and Services

Donated assets and services are recorded at fair market value at the date of the donation. In the absence of donor restrictions, donated assets are reported as unrestricted support. Contributed services received that require specialized skills, or that create or enhance non-financial assets, and which would have been otherwise purchased are reported as unrestricted contributions at the fair value of those services.


(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated based on management's estimate among the programs and supporting services benefited.

(l) Income Taxes

The Association is exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (3). Therefore, no tax provision or liability has been reported in the accompanying financial statements. The Association applied the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "ASC") topic for *Accounting for Uncertainty in Income Taxes* during the year. Under this ASC topic, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. This ASC topic had no impact on the Association's financial statements. The Association does not believe there are any unrecognized tax benefits that should be recorded. For the years ended September 30, 2011 and 2010, there were no interest or penalties incurred or included in the statements of activities related to taxes. The Association is not under examination for tax purposes by any jurisdiction. Years 2007 through present are subject to examination.

(m) Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(n) Concentrations of Credit Risk

Concentration of credit risk consists primarily of cash, receivables, investments, fundraising, and contract revenue.

The Association places its cash with quality financial institutions. At September 30, 2011 and 2010, cash held in banks comprises approximately 25% and 47% of total assets, respectively. At times, cash may exceed federally insured limits.

Investments held by the Association at September 30, 2011 and 2010 totaled approximately 64% and 48% of total assets, respectively. Investments are subject to market risk.


(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Concentrations of Credit Risk (Continued)

At September 30, 2011 and 2010, the Association had approximately 38% and 80% of its receivables from two and four program supporters, respectively.

Fundraising revenue is comprised mainly of one large event held annually and several smaller events held at other times of the year. Funds from the large event approximated 19% and 20% of total support and revenue for the years ended September 30, 2011 and 2010, respectively.

Contract revenue is provided from a single contract discussed in Note 5.

(o) Fair Value of Financial Instruments

The Association's significant financial instruments are cash, investments and other short-term assets and liabilities, which are all stated at their approximate fair values in the accompanying financial statements.

(p) Recent Accounting Pronouncements

The Association has evaluated the recently issued accounting pronouncements through the date that these financial statements were available to be issued and has determined the application of these pronouncements will have no material impact on its financial position and results of operations.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value, as further described below. Realized and unrealized gains and losses are reflected in the statements of activities. Investments maturing in the subsequent fiscal year are classified as current by the Association in the statements of financial position.

Investments consisted of the following as of September 30, 2011:

| | Cost | Market Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Certificate of deposit – current | $ 25,000 | $ 25,036 | $ 36 |
| Corporate securities – current | 24,125 | 25,122 | 997 |
| Total current investments | 49,125 | 50,158 | 1,033 |
| Mutual funds – non-current | 137,263 | 124,131 | (13,132) |
| Corporate securities – non-current | 276,307 | 283,580 | 7,273 |
| Total long term investments | 413,570 | 407,711 | (5,859) |
| Total investments | $ 462,695 | $ 457,869 | $ (4,826) |



(Continued)

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments consisted of the following as of September 30, 2010:

| | Cost | Market Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Certificate of deposit – current | $ 50,732 | $ 51,210 | $ 478 |
| Corporate securities – current | 101,886 | 100,975 | (911) |
| Total current investments | 152,618 | 152,185 | (433) |
| Mutual funds – non-current | 58,652 | 51,006 | (7,646) |
| Corporate securities – non-current | 150,070 | 158,755 | 8,685 |
| Total long term investments | 208,722 | 209,761 | 1,039 |
| Total investments | $ 361,340 | $ 361,946 | $ 606 |

A reconciliation of unrealized appreciation during the years is provided as follows:

| | 2011 | 2010 |
|---|---|---|
| Unrealized gain (loss) at beginning of year | $ 606 | $ (13,543) |
| Unrealized (loss) gain on investments | (5,432) | 14,149 |
| Unrealized (loss) gain at end of year | $ (4,826) | $ 606 |

Investment income for the years ended September 30, 2011 and 2010 is summarized as follows:

| | 2011 | 2010 |
|---|---|---|
| Interest and dividend income | $ 12,102 | $ 7,316 |
| Unrealized (loss) gain on investments | (4,826) | 14,149 |
| Realized (loss) gain on investments | (1,424) | 3,816 |
| Investment income | $ 5,852 | $ 25,281 |

FASB guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2 (Continued):

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2011 and 2010:

*Mutual Funds:* The fair value of mutual funds are valued based on exchange listed prices at the close of each business day and are classified in Level 1 of the fair value hierarchy.

*Corporate Securities:* The fair values of corporate securities are based on quoted market price and are classified in Level 1 of the fair value hierarchy.

*Government Securities:* The fair values of government securities are based on quoted market price and are classified in Level 1 of the fair value hierarchy.

*Certificates of Deposit:* The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest and are classified as Level 2 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30,:

| | 2011 | 2010 |
|---|---|---|
| Office equipment and furniture | $ 41,086 | $ 41,086 |
| Less accumulated depreciation | (38,521) | (33,082) |
| Property and equipment, net | $ 2,565 | $ 8,004 |



(Continued)

## 4. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

Board designated net assets at September 30, 2011 and 2010 is $397,990 and $399,990, respectively, which has been designated by the board to be used as an emergency/special needs fund. Temporarily restricted net assets at September 30, 2011 and 2010 were comprised of $12,799 and $3,671, respectively, to be used for scholarships.

## 5. FORT WORTH CONTRACT

The Association receives financial support from the City of Fort Worth (the "City") to coordinate all activities involving the City and its sister cities. The Association received 4% and 5% of its revenue and other support from the City during the years ended September 30, 2011 and 2010, respectively. The Association has received a funding commitment from the City of Fort Worth for the fiscal year ended September 30, 2012 for a maximum amount of $100,000.

## 6. DEFERRED REVENUE

Deferred revenue consists primarily of income for the annual Mayor's Dinner fundraiser and other programs as follows and is recognized in the period to which the revenue relates.

| | 2011 | 2010 |
|---|---|---|
| Mayor's Dinner | $ 150,770 | $ 158,280 |
| Other programs | 17,477 | 30,114 |
| Total deferred revenue | $ 168,247 | $ 188,394 |

## 7. COMMITMENTS AND CONTINGENCIES

The Association's lease obligations include rent for office space and office equipment. Related expense for the years ended September 30, 2011 and 2010 was approximately $28,000 and $34,000 per year, respectively. Related future obligations for years ending September 30 are approximately:

| | |
|---|---|
| 2012 | $ 21,000 |
| 2013 | 4,000 |
| 2014 | 3,000 |
| Total | $ 28,000 |

The Association entered into an agreement for health insurance effective during 2007. Under this agreement, the Association is responsible for medical expenditures in excess of employee deductibles, with a maximum obligation of up to $2,000 per employee. No liability exists relative to this agreement as of September 30, 2011 as there are no known or expected claims through September 30, 2011.

## 8. RETIREMENT PLAN

The Association has established a SIMPLE IRA plan covering substantially all employees. The Association made contributions to the plan totaling approximately $9,000 per year during the years ended September 30, 2011 and 2010.

## 9. RELATED PARTY

Facility and catering services for the Mayor's International Dinner and other programs are provided by businesses managed by various members of the Association's board of directors. In addition, the facilities leased by the Association effective July 2010 are owned by a member of the Board. During the years ended September 30, 2011 and 2010, the Association paid approximately $171,000 and $139,000, respectively to such related parties. The related party lease, included in Note 7 above, requires minimum annual payments of approximately $23,000 in fiscal years 2012 and 2013, respectively.

## 10. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2011, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 24, 2012 which is the date on which the financial statements were available to be issued. No adjustment or disclosure was needed based on this evaluation.