



Hartman Leito & Bolt, LLP
Accountants and Consultants

**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, 2012 and 2011**

(With Independent Auditors' Report)

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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, 2012 and 2011, 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, 2012 and 2011 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

December 27, 2012
Fort Worth, Texas

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Statements of Financial Position
September 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 207,973	\$ 178,776
Pledges and accounts receivable	60,539	57,172
Investments - short-term	107,150	50,158
Prepaid expenses	82,384	14,526
Total current assets	458,046	300,632
Property and equipment, net	-	2,565
Investments - long-term	357,879	407,711
Other assets	770	424
Total assets	\$ 816,695	\$ 711,332
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,417	\$ 66,739
Deferred revenue	223,195	168,247
Total current liabilities	259,612	234,986
Commitments and contingencies	-	-
Net assets:		
Unrestricted:		
Undesignated	19,727	65,557
Designated	520,258	397,990
Total unrestricted net assets	539,985	463,547
Temporarily restricted	17,098	12,799
Total net assets	557,083	476,346
Total liabilities and net assets	\$ 816,695	\$ 711,332

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and revenue:		
Contributions	\$ 34,766	\$ 3,314
In-kind contributions	58,224	54,875
Fort Worth contract	100,000	50,000
Membership dues	49,250	46,875
Special events	404,079	326,798
Programs and exchanges	670,489	636,201
Investment income	28,726	5,852
Total unrestricted support and revenue	<u>1,345,534</u>	<u>1,123,915</u>
Expenses:		
Programs and exchanges	1,082,122	971,946
Fundraising	150,536	157,278
General and administrative	36,438	60,632
Total unrestricted expenses	<u>1,269,096</u>	<u>1,189,856</u>
Change in unrestricted net assets	<u>76,438</u>	<u>(65,941)</u>
Changes in temporarily restricted net assets:		
Contributions	4,299	9,128
Change in temporarily restricted net assets	<u>4,299</u>	<u>9,128</u>
Change in net assets	80,737	(56,813)
Net assets at beginning of year	<u>476,346</u>	<u>533,159</u>
Net assets at end of year	<u>\$ 557,083</u>	<u>\$ 476,346</u>

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
Statement of Functional Expenses
For the Year Ended September 30, 2012

	Programs and Exchanges										Fundraising						
	Sister City Committee Events and Programs	Young Youth and Educator Ambassador Programs	Young Professionals		Junior			Guiyang, China		Reggio Emilia		Total Programs and Exchanges	Direct Benefit to Donor	Other Fundraising	Total Fundraising	General & Administrative	Total
			Japanese Business Mentorship Program	International Leadership Academy	International Leadership Academy	Nagaoka 25th Anniversary	Mbabane SCI- AUPAP Project	Sister Cities Signing	Culinary & Trier Christkindlmarkt Programs								
Bank Fees	\$ 380	\$ 1,832	\$ 303	\$ 298	\$ 88	\$ 179	\$ 245	\$ 1,467	\$ 45	\$ 4,837	\$ -	\$ 2,516	\$ 2,516	\$ 172	\$ 7,525		
Contract Labor	-	6,037	-	10,660	2,700	-	-	-	-	19,397	-	24,656	24,656	11,675	55,728		
Copier Lease and Maintenance	689	1,482	539	532	135	350	405	926	49	5,107	-	412	412	337	5,856		
Depreciation	302	649	236	233	59	153	177	406	21	2,236	-	180	180	149	2,565		
Dues and Subscriptions	292	629	229	226	57	149	172	393	21	2,168	-	175	175	141	2,484		
Employee Salaries	35,708	76,851	27,965	27,570	7,014	18,158	21,012	48,036	2,520	264,834	-	21,346	21,346	14,119	300,299		
Payroll Taxes	2,914	6,272	2,282	2,251	573	1,482	1,715	3,921	205	21,615	-	1,742	1,742	1,425	24,782		
Employee Benefits	4,455	9,588	3,489	3,440	875	2,265	2,621	5,994	314	33,041	-	2,663	2,663	2,178	37,882		
Gifts	574	1,349	927	1,059	564	58	421	5,407	8	10,367	-	2,662	2,662	55	13,084		
Insurance	537	1,155	420	414	105	273	316	722	38	3,980	-	321	321	262	4,563		
Legal and Professional	2,066	4,447	1,618	1,595	406	1,051	1,216	2,779	146	15,324	-	1,235	1,235	1,010	17,569		
Long Range Planning	51	23	8	8	2	5	6	15	1	119	-	6	6	5	130		
Marketing	2,382	4,479	1,712	2,089	464	942	1,090	2,840	131	16,129	-	28,282	28,282	906	45,317		
Meetings	965	1,649	453	327	83	215	249	696	30	4,667	-	478	478	207	5,352		
Parking	7	16	6	6	1	4	4	10	1	55	-	4	4	4	63		
Postage and Shipping	483	1,073	378	373	1,945	246	284	1,419	34	6,235	-	4,121	4,121	236	10,592		
Rent	5,822	9,162	3,841	24,354	750	1,942	2,247	5,269	270	53,657	-	2,283	2,283	1,867	57,807		
Scholarships	-	69,165	800	14,981	3,925	-	-	-	-	88,871	-	-	-	-	88,871		
Supplies and Equipment	661	1,418	545	4,226	1,128	298	495	1,398	41	10,210	-	4,881	4,881	286	15,377		
Technology	744	1,601	583	574	146	378	438	1,001	53	5,518	-	445	445	364	6,327		
Telephone	1,158	2,493	907	894	228	589	682	1,558	82	8,591	-	693	693	566	9,850		
Travel, Meals and Entertainment	11,484	189,020	3,548	102,489	1,220	493	6,236	175,227	15,447	505,164	-	602	51,435	474	557,073		
	\$ 71,674	\$ 390,390	\$ 50,789	\$ 198,599	\$ 22,468	\$ 29,230	\$ 40,031	\$ 259,484	\$ 19,457	\$ 1,082,122	\$ 50,833	\$ 99,703	\$ 150,536	\$ 36,438	\$ 1,269,096		

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
Statement of Functional Expenses
For the Year Ended September 30, 2011

	Programs and Exchanges												Fundraising						
	Fort Worth																		
Sister City Committee Events and Programs	Youth and Educator Ambassador Programs	Youth		Junior		Reggio Emilia		Budapest		Nagaoka		Reggio Emilia		Total Programs and Exchanges	Direct Benefit to Donor	Other Fundraising	Total Fundraising	General & Administrative	Total
		International and Young Professionals Program	International Leadership Academy	International Leadership Academy	Reggio Emilia 25th Anniversary	Budapest Official Visit to Fort Worth	Earthquake & Tsunami Relief	Mbabane SCI- AUPAP Project	Guiyang, China Sister Cities Signing	Christkindlmarkt Culinary & Trier Programs									
Bank Fees	\$ 251	\$ 1,104	\$ 252	\$ 295	\$ 66	\$ 1,677	\$ 247	\$ 128	\$ 39	\$ 54	\$ 332	\$ 4,445	\$ -	\$ 2,334	\$ 2,334	\$ 275	\$ 7,054		
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.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Statements of Cash Flows
For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 80,737	\$ (56,813)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,565	5,440
Realized loss on investments, net	-	1,424
Unrealized (gain) loss on investments, net	(12,889)	4,826
Changes in assets and liabilities:		
Increase in pledges and accounts receivable	(3,367)	(39,066)
Increase in prepaid expenses and other assets	(68,204)	(1,227)
(Decrease) increase in accounts payable and accrued liabilities	(30,322)	28,819
Increase (decrease) in deferred revenue	54,948	(20,147)
Net cash provided by (used in) operating activities	<u>23,468</u>	<u>(76,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	154,507	239,889
Purchase of investments	<u>(148,778)</u>	<u>(342,063)</u>
Net cash provided by (used in) investing activities	<u>5,729</u>	<u>(102,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	29,197	(178,918)
Cash at beginning of year	<u>178,776</u>	<u>357,694</u>
Cash at end of year	<u>\$ 207,973</u>	<u>\$ 178,776</u>

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
Notes to Financial Statements
As of and For the Years Ended September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The mission of the International Sister Cities Association of Fort Worth, Inc., dba 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, business connections, and global initiatives of Fort Worth's eight sister cities.

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

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. The international educators also conducted a global teacher's summit during this period to share teaching methodologies with local area educators.

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.

Nagaoka 25th Anniversary – An outbound exchange to celebrate the 25th anniversary of Fort Worth's partnership with Nagaoka, Japan. The delegation included board leadership, members and staff. Delegates experienced home hosted dinners and special events with the citizens of Nagaoka which is indicative of the strong relationship between cities. The program included a parade, and side trips to Hiroshima, Kyoto, Osaka and Tokyo.

Young Professionals Japanese Business Mentorship Program – Through a grant from Sister Cities International, Fort Worth sent eight young professionals to Nagaoka, Japan. They worked ten days alongside their counterparts in Nagaoka, Japan and were home hosted to gain a cultural perspective. These young professionals work in education, City of Fort Worth economic development, real estate services, transportation, nonprofit, insurance and financial services, and business school.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Notes to Financial Statements
As of and For the Years Ended September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Organization (Continued)

Fort 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.

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 created 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, along with 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.

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 Association 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– The project, funded in part by a grant from Sister Cities International as part of the African Urban Poverty Alleviation Program, enabled the building of a Community Health and Social Center in Mbabane, Swaziland. After three long years, the grand opening of the center took place in February 2012. This project is a testament to the power of building sister cities relationships throughout the world, enabling communities and government to work together for the benefits of those in need.

Guiyang, China Sister Cities Signing - This program was a multi-year process culminating the official signing of Fort Worth's 8th sister city, Guiyang, China. An official delegation from Guiyang, China visited Fort Worth in October 2011 to sign the agreement at city hall. In April 2012, a large delegation from Texas consisting of a senator, city officials, board leadership, members and staff of the Association participated in the official sister city agreement in Guiyang, China. The delegation included the large Texas Wesleyan Choir which performed at the official signing in Fort Worth and then, was subsequently invited by the Mayor of Guiyang to perform in Guiyang, China. A side trip to Beijing including a tour of the Great Wall was part of the exchange.

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.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Notes to Financial Statements
As of and For the Years Ended September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Organization (Continued)

Trier Christkindlmarkt Outbound Exchange - Outbound exchange to Trier for Association 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.

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.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Notes to Financial Statements
As of and For the Years Ended September 30, 2012 and 2011

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 five to seven 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 during the years ended September 30, 2012 and 2011.

(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.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
dba FORT WORTH SISTER CITIES INTERNATIONAL
Notes to Financial Statements
As of and For the Years Ended September 30, 2012 and 2011

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 (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, 2012 and 2011, 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 2008 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 both September 30, 2012 and 2011, cash held in banks comprises approximately 25% total assets. At times, cash may exceed federally insured limits.

Investments held by the Association at September 30, 2012 and 2011 totaled approximately 57% and 64% of total assets, respectively. Investments are subject to market risk.

At September 30, 2012 and 2011, the Association had approximately 38% of its receivables from two program supporters.

INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
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 Notes to Financial Statements
 As of and For the Years Ended September 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Concentrations of Credit Risk (Continued)

Fundraising revenue is comprised primarily of one event held annually. Funds from this event approximated 18% and 19% of total support and revenue for the years ended September 30, 2012 and 2011, respectively.

Program revenue is comprised of multiple programs. Two and one of these programs approximated 25% and 10% of total support and revenue for the years ended September 30, 2012 and 2011, respectively.

Contract revenue is provided from a single contract and is 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 changes in net assets.

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, 2012:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Corporate securities – current	\$ 24,125	\$ 25,366	\$ 1,241
Preferred stock	<u>80,807</u>	<u>81,784</u>	<u>977</u>
Total current investments	<u>104,932</u>	<u>107,150</u>	<u>2,218</u>
Mutual funds – non-current	65,380	60,050	(5,330)
Corporate securities – non-current	<u>286,654</u>	<u>297,829</u>	<u>11,175</u>
Total long term investments	<u>352,034</u>	<u>357,879</u>	<u>5,845</u>
Total investments	\$ <u>456,966</u>	\$ <u>465,029</u>	\$ <u>8,063</u>

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2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

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

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

	<u>2012</u>	<u>2011</u>
Unrealized (loss) gain at beginning of year	\$ (4,826)	\$ -
Unrealized gain (loss) on investments	<u>12,889</u>	<u>(4,826)</u>
Unrealized gain (loss) at end of year	<u>\$ 8,063</u>	<u>\$ (4,826)</u>

Investment income for the years ended September 30, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 15,837	\$ 12,102
Unrealized gain (loss) on investments	12,889	(4,826)
Realized loss on investments	<u>-</u>	<u>(1,424)</u>
Investment income	<u>\$ 28,726</u>	<u>\$ 5,852</u>

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;
 - Inputs other than quoted prices that are observable for the asset or liability;

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2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- 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, 2012 and 2011.

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 and Preferred Stock: The fair values of corporate 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,:

	<u>2012</u>	<u>2011</u>
Office equipment and furniture	\$ 34,744	\$ 41,086
Less accumulated depreciation	(34,744)	(38,521)
Property and equipment, net	\$ <u>-</u>	\$ <u>2,565</u>

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4. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

Board designated net assets at September 30, 2012 and 2011 is \$520,258 and \$397,990, respectively, which has been designated by the board to be used as an emergency/special needs fund. Temporarily restricted net assets at September 30, 2012 and 2011 were comprised of \$17,098 and \$12,799, respectively, to be used for scholarships.

5. FORT WORTH CONTRACT

The Association receives financial support from the City to coordinate all activities involving the City and its sister cities. The Association received 7% and 4% of its revenue and other support from the City during the years ended September 30, 2012 and 2011, respectively. The Association has not received a funding commitment from the City for the fiscal year ended September 30, 2013.

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.

	<u>2012</u>	<u>2011</u>
Mayor's Dinner	\$ 147,535	\$ 150,770
Other programs	<u>75,660</u>	<u>17,477</u>
Total deferred revenue	<u>\$ 223,195</u>	<u>\$ 168,247</u>

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, 2012 and 2011 was approximately \$27,000 and \$28,000 per year, respectively. Related future obligations for years ending September 30 are approximately:

2013	\$ 31,860
2014	<u>25,920</u>
Total	<u>\$ 57,780</u>

The Association entered into an agreement with a hotel related to the catering for the Mayor's Dinner in November 2012. The minimum commitment under these contracts is approximately \$37,000.

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, 2012 as there are no known or expected claims through September 30, 2012.

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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, 2012 and 2011.

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, 2012 and 2011, the Association paid approximately \$129,000 and \$171,000, respectively to such related parties. The related party lease, included in Note 7 above, requires minimum annual payments of approximately \$29,000 and \$22,000 in fiscal years 2013 and 2014, respectively.

10. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2012, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is December 27, 2012 which is the date the financial statements were available to be issued. No adjustment or disclosure was needed based on this evaluation.