



**International Sister Cities Association
of Fort Worth, Inc.
dba Fort Worth Sister Cities
International**

Financial Statements
Years Ended September 30, 2014 and 2013

**International Sister Cities Association of Fort Worth, Inc.
dba Fort Worth Sister Cities International**

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**International Sister Cities Association of Fort Worth, Inc.
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Independent Auditor's Report

Board of Directors
International Sister Cities Association of Fort Worth, Inc.
dba Fort Worth Sister Cities International
Fort Worth, Texas

We have audited the accompanying financial statements of International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International (the "Association"), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2014, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2013 financial statements of the Association were audited by other auditors; whose report dated January 17, 2014 expressed an unmodified opinion on those statements.

BDO USA, LLP

Fort Worth, Texas
February 20, 2015

Financial Statements

**International Sister Cities Association of Fort Worth, Inc.
dba Fort Worth Sister Cities International**

Statements of Financial Position

<i>September 30,</i>	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 97,833	\$ 113,546
Pledges and accounts receivable	20,047	42,050
Pledged rent receivable - short-term	32,504	-
Investments - short-term	25,295	40,290
Prepaid expenses	82,473	15,449
Total current assets	258,152	211,335
Pledged rent receivable - long-term	108,363	-
Investments - long-term	413,388	383,814
Property and equipment, net	4,477	-
Other assets	1,067	547
Total assets	\$ 785,447	\$ 595,696
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29,594	\$ 26,536
Deferred revenue	146,549	122,188
Total current liabilities	176,143	148,724
Commitments and contingencies		
Net assets:		
Unrestricted:		
Designated	414,572	431,224
Undesignated	46,374	-
Temporarily restricted	148,358	15,748
Total net assets	609,304	446,972
Total liabilities and net assets	\$ 785,447	\$ 595,696

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

<i>Years Ended September 30,</i>	2014	2013
Changes in unrestricted net assets:		
Support and revenue:		
Contributions	\$ 59,328	\$ 61,049
In-kind contributions	89,060	168,885
Fort Worth fee services agreement	50,000	-
Membership dues	45,730	39,150
Special events, net of direct donor cost of \$39,774 and \$44,606, respectively	237,374	216,878
Programs and exchanges	594,595	634,719
Investment income	24,168	4,418
Release of restrictions - satisfaction of program requirements	8,255	1,350
Total unrestricted support and revenue	1,108,510	1,126,449
Expenses:		
Programs and exchanges	929,085	1,070,700
Fundraising	83,835	93,006
General and administrative	65,868	71,504
Total unrestricted expenses	1,078,788	1,235,210
Change in unrestricted net assets	29,722	(108,761)
Changes in temporarily restricted net assets:		
In-kind contributions	140,865	-
Release of restrictions - satisfaction of program requirements	(8,255)	(1,350)
Change in temporarily restricted net assets	132,610	(1,350)
Change in net assets	162,332	(110,111)
Net assets at beginning of year	446,972	557,083
Net assets at end of year	\$ 609,304	\$ 446,972

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,

2014

	Programs and Exchanges														Fundraising	General & Administrative	Total
	Sister City Committee Events and Programs	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Bandung Tourism Officials	Budapest Hungarian Rhapsody	Mbabane 10 th Anniversary	Suwon South Korea Professional Exchange	Toluca Dia de los Muertos	Toluca Mayor & Officials Visit	Toluca Spanish Immersion Program	Journey to Vietnam	Total Programs and Exchanges				
Bank Fees	\$ 520	\$ 2,352	\$ 623	\$ 155	\$ 99	\$ 1,244	\$ 47	\$ 25	\$ 450	\$ 225	\$ 287	\$ 119	\$ 6,146	\$ 1,435	\$ 311	\$ 7,892	
Contract Labor	105	-	16,140	3,200	-	-	-	-	-	-	7,000	-	26,445	19,661	29,917	76,023	
Copier Lease	517	1,339	499	100	137	558	67	36	641	262	410	170	4,736	296	443	5,475	
Depreciation	163	421	157	32	43	176	21	11	202	82	129	54	1,491	93	139	1,723	
Dues and Fees	238	618	230	46	63	258	31	17	296	121	189	79	2,186	136	204	2,526	
Employee Salaries	23,823	61,728	22,990	4,618	6,334	25,741	3,079	1,666	29,552	12,063	18,877	7,849	218,320	13,628	20,416	252,364	
Payroll Taxes	1,769	4,584	1,707	343	470	1,912	229	124	2,195	896	1,402	583	16,214	1,012	1,516	18,742	
Employee Benefits	2,963	7,678	2,860	574	788	3,202	383	207	3,676	1,500	2,348	976	27,155	1,695	2,539	31,389	
Gift and Promotional	46	880	1,379	459	77	50	63	3	58	176	37	15	3,243	2,027	40	5,310	
Insurance	466	1,208	450	90	124	504	60	33	578	236	369	154	4,272	267	400	4,939	
Legal and Professional	1,696	4,395	1,637	329	451	1,833	219	119	2,104	859	1,344	559	15,545	970	1,454	17,969	
Long Range Planning	185	479	178	36	49	200	24	13	229	94	146	61	1,694	106	158	1,958	
Marketing	1,736	2,017	756	151	207	860	101	54	965	394	617	256	8,114	29,506	667	38,287	
Meeting Expenses	548	1,419	565	106	232	592	71	38	680	303	434	180	5,168	372	469	6,009	
Membership Development	936	2,427	904	182	249	1,012	121	65	1,162	474	742	309	8,583	536	803	9,922	
Parking	227	588	219	44	60	245	29	16	281	115	180	75	2,079	130	194	2,403	
Postage and Shipping	257	776	248	50	68	284	33	18	319	130	203	85	2,471	4,344	220	7,035	
Rent	4,823	14,248	31,368	3,236	1,466	4,941	591	320	5,672	2,790	3,623	1,506	74,584	2,616	3,919	81,119	
Scholarships	-	116,278	16,450	2,250	-	-	-	-	-	-	-	-	134,978	-	-	134,978	
Supplies	840	1,505	3,595	813	126	533	61	33	586	239	375	156	8,862	3,880	405	13,147	
Technology	735	1,904	709	142	195	794	95	51	912	372	582	242	6,733	420	630	7,783	
Telephone	802	2,027	755	152	208	845	101	55	970	396	620	258	7,189	448	670	8,307	
Travel, Meals and Entertainment	6,851	178,674	97,669	722	1,426	46,380	1,080	29	508	2,659	6,721	135	342,854	256	352	343,462	
Bad Debt Expense	3	7	2	-	1	3	-	-	3	1	2	1	23	1	2	26	
Total Functional Expenses	\$ 50,249	\$ 407,552	\$ 202,090	\$ 17,830	\$ 12,873	\$ 92,167	\$ 6,506	\$ 2,933	\$ 52,039	\$ 24,387	\$ 46,637	\$ 13,822	\$ 929,085	\$ 83,835	\$ 65,868	\$ 1,078,788	

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,

2013

	Programs and Exchanges													
	Sister City Committee Events and Programs	Youth and Educator Ambassador Programs	Young Professionals Japanese Business Mentorship Program	International Leadership Academy	Junior International Leadership Academy	Nagaoka 25th Anniversary	Mbabane SCI-AUPAP Project	Bandung & Bali Experience	Reggio Emilia Culinary & Trier Christkindlmarkt Programs	Total Programs and Exchanges	Fundraising	General & Administrative	Total	
Bank Fees	\$ 431	\$ 1,449	\$ 466	\$ 407	\$ 56	\$ 949	\$ 2	\$ 308	\$ 266	\$ 4,334	\$ 1,509	\$ 400	\$ 6,243	
Contract Labor	105	7,125	-	7,640	1,700	-	-	-	-	16,570	18,106	4,571	39,247	
Copier Lease and Maintenance	626	1,398	656	669	81	574	4	378	159	4,545	404	794	5,743	
Dues and Subscriptions	296	662	311	317	38	272	2	179	76	2,153	191	376	2,720	
Employee Salaries	32,882	73,425	34,450	35,144	4,253	30,136	211	19,882	8,386	238,769	21,207	41,690	301,666	
Payroll Taxes	2,505	5,594	2,624	2,677	324	2,296	17	1,514	639	18,190	1,616	3,176	22,982	
Employee Benefits	4,233	9,452	4,435	4,524	548	3,880	27	2,559	1,080	30,738	2,730	5,368	38,836	
Gifts	1,387	879	692	539	480	347	13	36	15	4,388	2,039	76	6,503	
Insurance	508	1,135	532	543	66	466	3	307	130	3,690	328	644	4,662	
Legal and Professional	1,930	4,309	2,022	2,063	250	1,769	12	1,167	491	14,013	1,245	2,447	17,705	
Long Range Planning	50	112	53	55	7	46	-	30	13	366	32	64	462	
Marketing	1,324	3,051	1,401	1,414	171	8,862	8	816	338	17,385	30,114	1,678	49,177	
Meetings	799	1,214	570	581	70	647	3	329	139	4,352	383	689	5,424	
Parking	14	32	15	15	2	14	-	9	4	105	9	18	132	
Postage and Shipping	241	637	253	258	31	475	2	310	61	2,268	5,224	306	7,798	
Rent	5,442	10,918	3,996	20,612	2,843	3,497	24	2,306	973	50,611	2,460	4,836	57,907	
Scholarships	-	74,618	6,525	14,580	3,525	1	-	-	2,975	102,224	-	-	102,224	
Supplies and Equipment	1,490	1,694	605	2,422	913	576	4	339	143	8,186	3,548	712	12,446	
Technology	1,193	2,663	1,250	1,275	154	1,093	8	721	304	8,661	769	1,512	10,942	
Telephone	1,018	2,272	1,066	1,088	132	976	40	615	260	7,467	656	1,291	9,414	
Travel, Meals and Entertainment	9,187	171,834	29,995	84,182	1,067	156,117	1,339	56,220	21,665	531,606	428	842	532,876	
Bad Debt Expense	11	24	11	12	1	10	-	7	3	79	8	14	101	
	\$ 65,672	\$ 374,497	\$ 91,928	\$ 181,017	\$ 16,712	\$ 213,003	\$ 1,719	\$ 88,032	\$ 38,120	\$ 1,070,700	\$ 93,006	\$ 71,504	\$ 1,235,210	

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

<i>Years Ended September 30,</i>	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 162,332	\$ (110,111)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,723	-
Unrealized (gain) loss on investments, net	(16,864)	11,274
Bad debt expense	26	101
Changes in operating assets and liabilities:		
Pledges and accounts receivable	21,977	18,388
Pledged rent receivable	(140,867)	-
Prepaid expenses and other assets	(67,544)	67,158
Accounts payable and accrued liabilities	3,058	(9,881)
Deferred revenue	24,361	(101,007)
Net cash used in operating activities	(11,798)	(124,078)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(6,200)	-
Proceeds from sale of investments	4,056	153,816
Purchase of investments	(1,771)	(124,165)
Net cash provided by (used in) investing activities	(3,915)	29,651
Cash Flows from Financing Activities		
	-	-
Net decrease in cash and cash equivalents	(15,713)	(94,427)
Cash and cash equivalents at beginning of year	113,546	207,973
Cash and cash equivalents at end of year	\$ 97,833	\$ 113,546

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

1. Summary of Significant Accounting Policies

Organization

International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International (the "Association" or "FWSCI"), a 501c3 nonprofit, is dedicated solely to promoting Fort Worth globally and enriching the community through international education, exchange and commerce. FWSCI provides a world of opportunities for our city leaders, citizens, educators, students and businesses alike.

FWSCI manages the City of Fort Worth's (the "City") eight sister city relationships around the world. These sister city relationships:

- Orchestrate internationally recognized inbound and outbound exchange programs,
- Provide essential instruction for protocol and diplomacy,
- Produce unparalleled youth and educator programs,
- Conduct exchanges to foster economic development and mutual respect to improve the lives of Fort Worth citizens and enhance global opportunities.

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.

Bandung Tourism Officials:

An inbound exchange of various tourism officials from Bandung, Indonesia to showcase their city and country and learn about the City of Fort Worth, Texas, and United States of America.

**International Sister Cities Association of Fort Worth, Inc.
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Notes to Financial Statements

Budapest Hungarian Rhapsody:

An outbound exchange led by Councilman Joel Burns and board of directors to learn and enjoy the beautiful city of Budapest, Hungary and to visit the City of Győr to thank them for helping the 2013 Budapest Youth Ambassador delegates when they were stranded due to a winter storm which severely impacted the highway system in Europe. A side trip to Vienna, Austria was also included in the exchange.

Mbabane 10th Anniversary:

An inbound exchange led by the new mayor of Mbabane, Swaziland along with councilmembers and city officials to celebrate the 10th anniversary of the Fort Worth and Mbabane sister city partnership. A reciprocal exchange is planned for 2015.

Suwon South Korea Professional Exchange:

An outbound exchange to Suwon consisting of eight delegates from Fort Worth to establish a relationship with Suwon due to the strong existing sister city partnerships with Toluca, Mexico and Bandung, Indonesia. The exchange was funded by Suwon, South Korea.

Toluca Dia de los Muertos:

An outbound exchange to Toluca, Mexico led by Councilmember Sal Espino and board members to celebrate the Toluca's day of the dead holiday and to meet with the Mayor, city officials and sister cities counterparts to continue the strong sister city relationship.

Toluca Mayor and Officials Visit:

An inbound exchange to Fort Worth during the Main Street Arts Festival led by the Mayor of Toluca, council members, and sister cities counterparts to introduce Fort Worth Mayor Price and Toluca Mayor Gonzales to showcase Fort Worth's tourism, economic, business, education, security, etc., and to discuss possible exchanges between sister cities.

Toluca Spanish Immersion Program:

A partnership with Fort Worth Independent School District ("FWISD") for a Spanish intensive summer camp led by twelve university students and teachers from Toluca, Mexico to teach students enrolled in the World Language Institute of FWISD.

Journey to Vietnam:

An outbound exchange to Vietnam led by Director Emeritus Mary Palko and board Chairwoman Ann Rice to develop a relationship with Vietnam and encourage exchanges to Fort Worth.

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.

International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International

Notes to Financial Statements

These young professionals work in education, City of Fort Worth economic development, real estate services, transportation, nonprofit, insurance and financial services, and business school. In July 2013, thirty-one young professionals from Nagaoka, Japan participated in the reciprocal exchange to Fort Worth.

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 the cities. The program included a parade and side trips to Hiroshima, Kyoto, Osaka and Tokyo. A reciprocal change took place in Fort Worth during July 2013 to celebrate the anniversary in Fort Worth, Texas.

Sixty people including Mr. Tamio Mori, Mayor of Nagaoka, other officials, business leaders and community members visited Fort Worth to participate in the exchange. Most importantly, fireworks displayed during the Fourth of July Celebration in Fort Worth were donated by the Harashin Corporation of Japan to commemorate the 25th Anniversary. The Harashin Corporation is also the benefactor of the Nagaoka Harashin Scholars Program included in the Youth and Educator Ambassador Programs.

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.

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 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.

Bandung and Bali Experience:

Outbound exchange to Bandung and Bali, Indonesia, to meet with officials, businesses and universities to recommit to the sister cities partnership and strengthen the relationship in business, tourism, education and the arts.

Reggio Emilia Culinary Exchange & Trier Christkindlmarkt 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 and model Italy's program to establish culinary learning opportunities for Fort Worth students in other sister cities.

**International Sister Cities Association of Fort Worth, Inc.
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Notes to Financial Statements

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.

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. There were no permanently restricted net assets as of September 30, 2014 and 2013.

Revenue and Other Support

The Association reports contributions 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 contribution is classified as an increase in unrestricted net assets.

The Association reports contributions of property and equipment at fair value on date of contribution 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.

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Notes to Financial Statements

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.

Revenue Recognition

Individuals making pledges to the Association are considered to be promises to give. Accordingly, such pledges are recorded when the promise to give is made, provided the promise to give is unconditional. Revenue is recognized on conditional promises to give when the conditions are substantially met. Membership dues are recognized when billed. Revenue from the Fort Worth fee services agreement is recognized as services are performed.

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.

Pledges and Accounts Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when significant. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

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.

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 as a component of investment income. See Note 2 for additional information regarding fair value of investments.

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. As of September 30, 2014 and 2013, all property and equipment was fully depreciated.

**International Sister Cities Association of Fort Worth, Inc.
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Notes to Financial Statements

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. If the estimated undiscounted future net cash flows are less than the carrying amount of the asset, an impairment exists, and an impairment loss is calculated and recorded.

If an impairment exists, the impairment loss is calculated based on the excess of the carrying amount of the asset over its fair value. No such losses were recognized during the years ended September 30, 2014 and 2013.

Deferred Revenue

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

Contributed Materials and Services

Donated assets and services are recorded at fair 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.

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.

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 years ended September 30, 2014 and 2013. 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, 2014 and 2013, 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 2010 through present are subject to examination.

**International Sister Cities Association of Fort Worth, Inc.
dba Fort Worth Sister Cities International**

Notes to Financial Statements

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.

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 times, cash may exceed federally insured limits.

Investments held by the Association at September 30, 2014 and 2013 are subject to market risk.

At September 30, 2014 and 2013, the Association had approximately 82% and 45% of its receivables from four and two program supporters, respectively.

Fundraising revenue is comprised primarily of one event held annually. Funds from this event approximated 16% and 19% of total support and revenue for the years ended September 30, 2014 and 2013, respectively.

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

Fair Value of Financial Instruments

The estimated fair value of cash equivalents, pledges and accounts receivable, and accounts payable approximate their carrying values due to the relatively short maturity of these instruments. The fair value of pledged rent receivable is based on current market rates. See Note 2 for discussion of fair value measurements for investments.

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, based on current management's intent as to the holding purpose of the security, consisted of the following as of September 30, 2014:

	Cost	Fair Value	Unrealized Gain (Loss)
Corporate securities - current	\$ 25,006	\$ 25,295	\$ 289
Total short-term investments	25,006	25,295	289

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	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds - non-current	\$ 89,059	\$ 104,533	\$ 15,474
Preferred stock	49,490	44,650	(4,840)
Corporate securities - non-current	261,475	264,205	2,730
Total long-term investments	400,024	413,388	13,364
Total investments	\$ 425,030	\$ 438,683	\$ 13,653

Investments, based on current management's intent as to the holding purpose of the security, consisted of the following as of September 30, 2013:

	Cost	Fair Value	Unrealized Gain (Loss)
Preferred stock	\$ 49,490	\$ 40,290	\$ (9,200)
Total current investments	49,490	40,290	(9,200)
Mutual funds - non-current	86,815	93,277	6,462
Corporate securities - non-current	291,010	290,537	(473)
Total long term investments	377,825	383,814	5,989
Total investments	\$ 427,315	\$ 424,104	\$ (3,211)

A reconciliation of unrealized appreciation (depreciation) during the years ended September 30, 2014 and 2013 is provided as follows:

<i>Years Ended September 30,</i>	2014	2013
Unrealized gain (loss) at beginning of year	\$ (3,211)	\$ 8,063
Unrealized gain (loss) on investments	16,864	(11,274)
Unrealized gain (loss) at end of year	\$ 13,653	\$ (3,211)

Investment income for the years ended September 30, 2013 and 2012 is summarized as follows:

<i>Years Ended September 30,</i>	2014	2013
Interest and dividend income	\$ 7,304	\$ 15,692
Unrealized gain (loss) on investments	16,864	(11,274)
Investment income	\$ 24,168	\$ 4,418

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Financial Accounting Standards Board 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;
- 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, 2014 and 2013.

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.

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.

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3. Property and Equipment

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

	2014	2013
Office equipment and furniture	\$ 40,944	\$ 34,744
Less accumulated depreciation	(36,467)	(34,744)
Property and equipment, net	\$ 4,477	\$ -

4. Temporarily Restricted and Board Designated Net Assets

Board designated net assets at September 30, 2014 and 2013 are \$414,572 and \$431,224, respectively, which has been designated by the board to be used as an emergency/special needs fund.

Temporarily restricted net assets at September 30, 2014 and 2013 were comprised the following.

<i>September 30,</i>	2014	2013
Scholarships	\$ 7,493	\$ 15,748
Donated rent	140,865	-
	\$ 148,358	\$ 15,748

Donation of rent is recognized as revenue when pledged and is considered temporarily restricted as to time over the five year lease term. Restriction is released as rent expense is recorded.

5. Fort Worth Fee Services Agreement

The Association receives financial support from the City to coordinate all activities involving the City and its sister cities. The Association received a \$50,000 funding commitment from the City for each of the fiscal years ended September 30, 2014 through September 30, 2018 for performing coordination of cultural, educational, business, and sports exchanges between the City and its sister cities including arrangement of meeting facilities, hotel accommodations, and travel plans in conjunction with sister cities activities, and attendance at meetings as requested by City officials.

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6. Deferred Revenue

Deferred revenue consists 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.

<i>September 30,</i>	2014	2013
Mayor's Dinner	\$ 5,000	\$ 118,353
Journey to Vietnam	83,991	-
Toluca Dia de los Muertos	37,208	-
Other programs	20,350	3,835
Total deferred revenue	\$ 146,549	\$ 122,188

7. Commitments and Contingencies

The Association's lease obligations include rent for office space and office equipment. In January 2014, the Association entered into a new lease for office space. The lease term is from January 30, 2014 to January 29, 2019.

The lease provides for in kind rent for the lease term and any renewal period. The monthly payments under this rental agreement are less than the fair market value.

The fair market value pledged rent receivable balance at September 30, 2014 was \$140,867 for the remaining lease term. The present value discount is not recorded as it is not significant.

Rent expense for the years ended September 30, 2014 and 2013 was approximately \$47,000 and \$33,000 per year, respectively, including \$21,736 of donated rent expense for 2014.

The Association entered into an agreement with a hotel related to the catering for the Mayor's Dinner in April 2015. The minimum commitment under these contracts is approximately \$44,000.

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, 2014 and 2013 as there are no known or expected claims.

8. Retirement Plan

The Association has established a SIMPLE IRA plan covering substantially all employees. The Association made contributions to the plan totaling approximately \$7,000 and \$9,000, respectively, for the years ended September 30, 2014 and 2013.

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9. Related Party

Lodging and meal services for certain programs are provided by businesses managed by various members of the Association's board of directors. In addition, the facilities leased by the Association are owned or managed by members of the board. During the years ended September 30, 2014 and 2013, the Association paid approximately \$118,000 and \$88,000, respectively to such related parties. The related party lease prior to the January 2014 lease agreement, included in Note 7 above, required minimum annual payments of approximately \$22,000 in fiscal year 2014.

10. Subsequent Events

The date to which events occurring after September 30, 2014, the statement of financial position date, have been evaluated for possible adjustment to the financial statements or disclosure is February 20, 2015, which is the date on which the financial statements were available to be issued.