

**INTERNATIONAL SISTER CITIES ASSOCIATION
OF FORT WORTH, INC.**

dba

FORT WORTH SISTER CITIES INTERNATIONAL

FINANCIAL STATEMENTS

Years Ended September 30, 2015 and 2014

**INTERNATIONAL SISTER CITIES ASSOCIATION
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FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT AUDITORS

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

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, 2015, 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, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter – 2014 Financial Statements

The financial statements of the Association as of September 30, 2014, were audited by other auditors whose report dated February 20, 2015, expressed an unmodified opinion on those statements.

Whitley Penn LLP

Fort Worth, Texas

January 11, 2016

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

STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 196,296	\$ 97,833
Accounts receivable	6,111	20,047
Pledge receivable, net - short-term	32,106	32,504
Investments – short-term	25,687	25,295
Prepaid expenses	18,106	82,473
Total current assets	278,306	258,152
Pledge receivable, net - long-term	76,257	108,363
Investments - long-term	405,911	413,388
Property and equipment, net	2,411	4,477
Other assets	361	1,067
Total assets	\$ 763,246	\$ 785,447
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 100,446	\$ 29,594
Deferred revenue	58,982	146,549
Total liabilities	159,428	176,143
Commitments and contingencies		
Net assets:		
Unrestricted:		
Designated	413,907	414,572
Undesignated	67,308	46,374
Temporarily restricted	122,603	148,358
Total net assets	603,818	609,304
Total liabilities and net assets	\$ 763,246	\$ 785,447

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:			
Contributions	\$ 44,803	\$ 102,191	\$ 146,994
In-kind contributions	110,380	-	110,380
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	48,924	-	48,924
Special events, net of direct donor cost of \$42,804	265,351	-	265,351
Programs and exchanges	679,583	-	679,583
Investment income, net	25,493	-	25,493
Net realized and unrealized loss on investments	(40,775)	-	(40,775)
Release of restrictions	127,946	(127,946)	-
Total revenue, gains, and other support	1,311,705	(25,755)	1,285,950
Expenses:			
Programs and exchanges	1,090,045	-	1,090,045
Fundraising	147,975	-	147,975
General and administrative	53,416	-	53,416
Total expenses	1,291,436	-	1,291,436
Change in net assets	20,269	(25,755)	(5,486)
Net assets at beginning of year	460,946	148,358	609,304
Net assets at end of year	\$ 481,215	\$ 122,603	\$ 603,818

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support:			
Contributions	\$ 59,328	\$ -	\$ 59,328
In-kind contributions	89,060	140,865	229,925
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	45,730	-	45,730
Special events, net of direct donor cost of \$39,774	237,374	-	237,374
Programs and exchanges	594,595	-	594,595
Investment income	7,304	-	7,304
Net realized and unrealized gain on investments	16,864	-	16,864
Release of restrictions	8,255	(8,255)	-
Total revenue, gains, and other support	<u>1,108,510</u>	<u>132,610</u>	<u>1,241,120</u>
Expenses:			
Programs and exchanges	929,085	-	929,085
Fundraising	83,835	-	83,835
General and administrative	65,868	-	65,868
Total expenses	<u>1,078,788</u>	<u>-</u>	<u>1,078,788</u>
Change in net assets	29,722	132,610	162,332
Net assets at beginning of year	<u>431,224</u>	<u>15,748</u>	<u>446,972</u>
Net assets at end of year	<u>\$ 460,946</u>	<u>\$ 148,358</u>	<u>\$ 609,304</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2015

Programs and Exchanges

	Sister City Local Outreach	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Toluca Mayor and Official Visit to Fort Worth	Trier, Germany & Reggio Emilia, Italy Officials Visits	Toluca Spanish Immersion Program	Educational Mission to Vietnam	Total Programs and Exchanges	Fundraising	General & Administrative	Total
Bank fees	\$ 565	\$ 4,629	\$ 513	\$ 193	\$ 609	\$ 30	\$ 111	\$ 1,795	\$ 8,445	\$ 1,011	\$ 246	\$ 9,702
Contract labor	-	-	18,208	3,306	-	-	13,000	-	34,514	10,261	8,309	53,084
Copier lease	619	1,679	471	244	310	61	224	408	4,016	536	496	5,048
Depreciation	253	687	193	100	127	25	92	167	1,644	219	203	2,066
Dues and fees	339	917	257	133	169	33	122	222	2,192	292	271	2,755
Employee salaries	33,178	90,036	25,249	13,071	16,643	3,275	11,989	21,839	215,280	28,713	26,629	270,622
Payroll taxes	2,283	6,195	1,737	899	1,145	225	825	1,503	14,812	1,976	1,832	18,620
Employee benefits	5,063	13,738	3,853	1,994	2,539	500	1,829	3,332	32,848	4,381	4,063	41,292
Gift and promotional	1,131	3,033	1,672	1,291	38	120	27	50	7,362	245	61	7,668
Insurance	589	1,600	448	232	296	58	213	388	3,824	510	473	4,807
Legal and professional	2,195	5,960	1,671	865	1,102	217	794	1,446	14,250	1,901	1,763	17,914
Long range planning	61	165	46	24	31	6	22	40	395	53	714	1,162
Marketing	3,214	6,127	1,820	978	1,163	220	805	1,532	15,859	28,089	1,789	45,737
Meeting expenses	644	1,301	445	189	240	47	173	499	3,538	940	385	4,863
Parking	317	861	241	125	159	31	115	209	2,058	275	255	2,588
Postage and shipping	539	2,046	231	120	153	30	110	200	3,429	2,069	293	5,791
Rent	5,427	15,227	25,648	3,755	2,075	408	1,495	2,723	56,758	6,830	3,320	66,908
Scholarships	-	139,405	6,900	2,475	-	-	-	-	148,780	-	-	148,780
Supplies	860	13,334	4,250	1,342	187	37	247	245	20,502	14,640	299	35,441
Technology	1,050	2,849	799	414	527	104	379	691	6,813	909	843	8,565
Telephone	1,044	2,833	794	411	524	103	377	687	6,773	903	838	8,514
Travel, meals and entertainment	9,625	244,026	126,340	571	21,031	3,860	5,156	75,344	485,953	43,222	334	529,509
Total Functional Expenses	\$ 68,996	\$ 556,648	\$ 221,786	\$ 32,732	\$ 49,068	\$ 9,390	\$ 38,105	\$ 113,320	\$ 1,090,045	\$ 147,975	\$ 53,416	\$ 1,291,436

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2014

Programs and Exchanges

	Sister City Local Outreach	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Bandung Tourism Officials	Budapest Hungarian Rhapsody	Official Mbabane Exchange to Fort Worth	Suwon South Korea Professional Exchange	Official Exchange to Toluca, Mexico	Toluca Mayor and Official Visit to Fort Worth	Toluca Spanish Imersion Program	Educational Mission to Vietnam	Total Programs and Exchanges	Fundraising	General & Administrative	Total
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

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ (5,486)	\$ 162,332
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,066	1,723
Net realized and unrealized (gain) loss on investments	40,775	(16,864)
Bad debt expense	-	26
Non-cash rent expense	32,504	-
Donated investment	(10,161)	-
Net changes in operating assets and liabilities:		
Accounts receivable	13,936	21,977
Pledge receivable	-	(140,867)
Prepaid expenses	64,367	(67,024)
Other assets	706	(520)
Accounts payable and accrued liabilities	70,852	3,058
Deferred revenue	(87,567)	24,361
Net cash provided by (used in) operating activities	121,992	(11,798)
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(6,200)
Proceeds from sale of investments	294,708	4,056
Purchase of investments	(318,237)	(1,771)
Net cash used in investing activities	(23,529)	(3,915)
Net increase (decrease) in cash and cash equivalents	98,463	(15,713)
Cash and cash equivalents at beginning of year	97,833	113,546
Cash and cash equivalents at end of year	\$ 196,296	\$ 97,833

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2015 and 2014

A. Nature of Activities

International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International (the “Association” or “FWSCI”), a 501(c)(3) 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 Fort Worth’s 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 Local Outreach:

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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

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.

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. Additional educational opportunities occurred in Vienna, Austria.

Official Mbabane Exchange to Fort Worth:

Led by new mayor of Mbabane, Swaziland, Benito Jones along with councilmembers and city officials, this official delegation traveled to Fort Worth to celebrate the 10th anniversary of the Fort Worth and Mbabane sister city partnership. A reciprocal exchange to Mbabane is planned for 2015.

Suwon South Korea Professional Exchange:

An outbound trade mission to Suwon consisting of eight delegates from Fort Worth to discuss possible business connections. The exchange was funded by Suwon, South Korea.

Official Exchange to Toluca, Mexico

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

Toluca Mayor and Officials Visit to Fort Worth:

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 and to showcase Fort Worth and to discuss possible exchanges between the sister cities.

Toluca Spanish Immersion Program:

A partnership with the Fort Worth Independent School District ("FWISD") to conduct a Spanish Immersion summer camp led by twelve university students and teachers from Toluca, Mexico to teach Fort Worth students enrolled in several elementary schools of the FWISD.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Trier, Germany and Reggio Emilia, Italy Official Visits:

An outbound exchange to Trier, Germany and Reggio Emilia, Italy to pay an official visit to the new mayors of those Sister Cities partners. Delegation from Fort Worth included Fort Worth Mayor Betsy Price, Director Emeritus Mike Hyatt, Fort Worth Chamber of Commerce Executive Vice President David Berzina, and President/CEO Mae Ferguson.

Educational Mission to Vietnam:

An exploratory mission to Vietnam led by Director Emeritus Mary Palko and board Chairwoman Ann Rice to ascertain the viability of a relationship between Fort Worth and Vietnam and to gather educational information on the country.

Other Programs and Exchanges:

Various activities for the benefit of members.

B. Summary of Significant Accounting Policies

A summary of the Association's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At September 30, 2015 and 2014, the Association had no such investments. The Association maintains deposits primarily in two financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Association has not experienced any losses related to amounts in excess of FDIC limits.

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

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Pledges and Accounts Receivable

Unconditional promises to give or pledges receivable are recorded as revenue in the year made. 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. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for uncollectible pledges based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible pledges and a credit to the applicable contribution receivable. Management considers all outstanding pledges to be fully collectible.

Investments

GAAP requires investments with readily determinable fair values to be stated at fair value with unrealized gains and losses from fluctuations in market value included in the statement of activities. The fair values of investments in equity securities and debt securities (including mutual fund shares) with readily determinable fair values are based on the quoted market price of the shares owned at September 30, 2015 and 2014.

GAAP 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- 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.

**INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
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NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Investments – continued

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 measurements

Investment gains and losses are accounted for using the average cost basis of the securities sold. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Property and Equipment

Property and equipment are carried at cost. The Association capitalizes all property and equipment with costs greater than \$1,000 and a useful life greater than three years. Donated property and equipment with estimated useful 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 donation. There were no donations of property and equipment during 2015 and 2014. Depreciation is provided on the straight-line method over the assets' estimated service lives. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying statement of activities of the respective period. The estimated useful lives of property and equipment range from 5 to 7 years.

Donated Assets and Services

Donated assets are recorded at their estimated fair value (as determined by management) at the date of donation. Donated services are recognized as contributions if the services, (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers provide many hours of service throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under GAAP are not met.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Functional Allocation of Expenses

Expenses are allocated to program services, fundraising, and management and general based on the nature of the expense and estimates made by management.

Federal Income Taxes

The Association is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as an organization other than a private foundation. The Association follows the guidance under GAAP, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain in tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Association’s financial statements. The Association files Form 990 in the United States federal jurisdiction within the United States. The Association’s tax returns related to the years ended September 30, 2012 through 2014 remain open to possible examination by the Internal Revenue Service; however, no tax returns are currently under examination by any tax authorities.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$46,000 and \$38,000 for the years ended September 30, 2015 and 2014, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

C. Pledge Receivable

The Association has one pledge receivable related to donated rent (see Note F and I) which it anticipates receiving over the next several years. The pledge receivable has been discounted using a discount rate of 1.00% and consisted of the following at September 30:

	2015	2014
Pledge receivable in less than one year	\$ 32,604	\$ 32,604
Pledge receivable thereafter	78,774	111,397
Total pledge receivable	111,378	144,001
Less: unamortized discount	3,015	3,134
Net pledge receivable	\$ 108,363	\$ 140,867

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

NOTES TO FINANCIAL STATEMENTS (continued)

D. Investments

The fair values of investments in equity securities, mutual funds, and corporate bonds are based on the quoted market price in an active market of the shares owned at September 30, 2015 and 2014. All of the Association's investments are valued using Level 1 inputs and consisted of the following asset classes at September 30:

	<u>2015</u>	<u>2014</u>
Equity securities	\$ 45,820	\$ 44,650
Mutual funds		
Large cap growth	128,144	-
Large cap value	50,021	-
Large cap blend	43,023	104,533
Small cap blend	28,005	-
Small cap growth	23,549	-
Mid cap blend	8,419	-
Corporate bonds	<u>104,617</u>	<u>289,500</u>
Total investments	<u>\$ 431,598</u>	<u>\$ 438,683</u>

These items are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

The components of investment income for the years ended September 30, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 28,288	\$ 7,304
Net realized and unrealized gain (loss) on investments	<u>(40,775)</u>	<u>16,864</u>
Investment gains (losses) before investment fees	(12,487)	24,168
Less investment fees	<u>2,795</u>	<u>-</u>
Investment income (loss), net	<u>\$ (15,282)</u>	<u>\$ 24,168</u>

**INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
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NOTES TO FINANCIAL STATEMENTS (continued)

E. Property and Equipment

Property and equipment consisted of the following at September 30:

	2015	2014
Office equipment and furniture	\$ 40,944	\$ 40,944
Less accumulated depreciation	(38,533)	(36,467)
	\$ 2,411	\$ 4,477

F. Temporarily Restricted and Board Designated Net Assets

Board designated net assets at September 30, 2015 and 2014 are \$413,907 and \$414,572, respectively, which has been designated by the board to be used as an emergency/special needs fund.

Temporarily restricted net assets consisted of the following at September 30:

	2015	2014
Scholarships	\$ 14,240	\$ 7,491
Donated rent	108,363	140,867
	\$ 122,603	\$ 148,358

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 (see Note C and I).

G. 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.

**INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
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NOTES TO FINANCIAL STATEMENTS (continued)

H. Deferred Revenue

Deferred revenue is recognized in the period in which the revenue relates and consisted of the following at September 30:

	2015	2014
Women's policy forum	\$ 23,550	\$ -
Cuba adventure	20,000	-
Amazing race	9,332	-
Other programs	6,100	20,350
Journey to vietnam	-	83,991
Toluca Dia de Ios Muertos	-	37,208
Mayor's dinner	-	5,000
	<u>\$ 58,982</u>	<u>\$ 146,549</u>
Total deferred revenue	<u>\$ 58,982</u>	<u>\$ 146,549</u>

I. Commitments and Contingencies

Leases

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 of the pledged rent receivable balance at September 30, 2015 was \$108,363 for the remaining lease term. Rent expense for the years ended September 30, 2015 and 2014 was approximately \$36,000 and \$47,000, respectively, including approximately \$33,000 and \$8,000 of donated rent expense, respectively.

Future minimum annual lease obligations, excluding donated rent, as of September 30, 2015, are approximately as follows:

2016	\$ 3,000
2017	3,000
2018	3,000
2019	2,000
Total	<u>\$ 11,000</u>

Employee Health Insurance

The Association entered into an agreement for health insurance 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 as of September 30, 2015 and 2014 related to this agreement as there are no known or expected claims.

**INTERNATIONAL SISTER CITIES ASSOCIATION OF FORT WORTH, INC.
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NOTES TO FINANCIAL STATEMENTS *(continued)*

J. 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 for each of the years ended September 30, 2015 and 2014.

K. Related Party

Lodging and meal services for certain programs are provided by businesses managed by various members of the Association's board of directors. During the years ended September 30, 2015 and 2014, the Association paid approximately \$97,000 and \$118,000, respectively to such related parties.

L. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through January 11, 2016, the date the financial statements were available for issuance.