



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

**dba**

**FORT WORTH SISTER CITIES INTERNATIONAL**

**FINANCIAL STATEMENTS**

**Years Ended September 30, 2017 and 2016  
with Report of Independent Auditors**

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

**Years Ended September 30, 2017 and 2016**

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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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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, 2017 and 2016, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Whitley Penn LLP*

Fort Worth, Texas  
December 18, 2017

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

**STATEMENTS OF FINANCIAL POSITION**

	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 72,127	\$ 90,067
Accounts receivable	7,430	4,781
Pledge receivable, net - short-term	31,470	31,786
Prepaid expenses	15,072	14,784
Total current assets	126,099	141,418
Pledge receivable, net - long-term	13,001	44,471
Investments	475,067	471,784
Property and equipment, net	-	345
Other assets	569	675
Total assets	\$ 614,736	\$ 658,693
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 84,158	\$ 50,621
Deferred revenue	26,852	53,168
Total liabilities	111,010	103,789
Net assets:		
Unrestricted:		
Designated	412,244	413,907
Undesignated	47,509	65,238
Total unrestricted	459,753	479,145
Temporarily restricted	43,973	75,759
Total net assets	503,726	554,904
Total liabilities and net assets	\$ 614,736	\$ 658,693

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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support:			
Contributions	\$ 52,285	\$ -	\$ 52,285
In-kind contributions	116,342	-	116,342
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	310,366	-	310,366
Special events, net of direct donor cost of \$54,452	2,494	-	2,494
Programs and exchanges	611,146	-	611,146
Investment income, net	12,546	-	12,546
Net realized and unrealized gain on investments	42,989	-	42,989
Release of restrictions	31,786	(31,786)	-
Total revenue, gains, and other support	<u>1,229,954</u>	<u>(31,786)</u>	<u>1,198,168</u>
Expenses:			
Programs and exchanges	975,748	-	975,748
Fundraising	171,042	-	171,042
General and administrative	102,556	-	102,556
Total expenses	<u>1,249,346</u>	<u>-</u>	<u>1,249,346</u>
Decrease in net assets	(19,392)	(31,786)	(51,178)
Net assets at beginning of year	<u>479,145</u>	<u>75,759</u>	<u>554,904</u>
Net assets at end of year	<u>\$ 459,753</u>	<u>\$ 43,973</u>	<u>\$ 503,726</u>

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, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, gains, and other support:			
Contributions	\$ 52,885	\$ -	\$ 52,885
In-kind contributions	94,680	-	94,680
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	281,518	-	281,518
Special events, net of direct donor cost of \$51,860	7,108		7,108
Programs and exchanges	581,668	-	581,668
Investment income, net	27,438	-	27,438
Net realized and unrealized gain on investments	5,656	-	5,656
Release of restrictions	46,844	(46,844)	-
Total revenue, gains, and other support	1,147,797	(46,844)	1,100,953
Expenses:			
Programs and exchanges	914,466	-	914,466
Fundraising	153,935	-	153,935
General and administrative	81,466	-	81,466
Total expenses	1,149,867	-	1,149,867
Decrease in net assets	(2,070)	(46,844)	(48,914)
Net assets at beginning of year	481,215	122,603	603,818
Net assets at end of year	\$ 479,145	\$ 75,759	\$ 554,904

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, 2017

	Programs and Exchanges												Total Programs and Exchanges	Fundraising	General & Administrative	Total
	Sister Cities Outreach & Education	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Cuba Educational Mission	Women's Policy Forum Conference - Fort Worth	DFW Airport Missions	FWISD Spanish Immersion & Enrichment Camp	Jordan Educational Mission	Mbabane Rotary Wheelchair Humanitarian Mission	Nimes, France Exploratory Mission	Trier 30th Anniversary & Christkindl Market Exchange				
Bank fees	\$ 467	\$ 2,403	\$ 541	\$ 196	\$ 1,572	\$ 60	\$ 64	\$ 47	\$ 727	\$ 889	\$ 101	\$ 463	\$ 7,530	\$ 2,106	\$ 558	\$ 10,194
Contract labor	-	17,510	11,527	2,672	-	-	-	-	-	-	-	-	31,709	9,900	-	41,609
Copier lease	715	1,259	275	135	122	108	116	85	321	500	134	201	3,971	440	1,005	5,416
Depreciation	45	80	18	9	8	7	7	5	20	32	9	13	253	28	64	345
Dues and fees	425	749	164	80	73	64	69	51	191	298	80	140	2,384	262	598	3,244
Employee salaries	40,803	71,869	15,727	7,713	7,576	6,161	6,635	4,869	18,312	28,567	7,669	11,504	227,405	75,346	64,739	367,490
Payroll taxes	3,422	6,027	1,319	647	631	517	556	408	1,536	2,364	643	965	19,035	4,530	2,422	25,987
Employee benefits	6,299	11,095	2,428	1,191	1,078	951	1,024	752	2,827	4,410	1,184	1,776	35,015	8,294	4,443	47,752
Gift and promotional	74	1,745	1,108	334	4	1,004	86	3	47	4,617	108	2,139	11,269	339	34	11,642
Insurance	596	1,050	961	113	102	90	97	71	268	417	112	168	4,045	367	839	5,251
Legal and professional	2,302	4,055	887	435	394	348	374	275	1,033	1,612	433	649	12,797	1,417	3,238	17,452
Long Range Planning	80	141	31	15	14	12	13	10	36	56	15	23	446	49	112	607
Marketing	4,396	7,705	1,784	823	850	673	708	520	2,011	3,194	854	1,259	24,777	35,404	11,125	71,306
Meeting expenses	512	798	175	86	228	68	74	54	287	317	111	168	2,878	1,837	638	5,353
Parking	572	1,007	220	108	98	86	93	68	257	400	107	161	3,177	352	804	4,333
Postage and shipping	441	943	170	83	150	67	72	53	198	308	83	124	2,692	1,756	620	5,068
Rent	5,853	12,320	19,992	2,991	784	692	745	546	2,056	3,208	861	1,292	51,340	4,110	6,444	61,894
Scholarships	-	75,011	16,604	1,475	-	-	-	-	-	-	-	-	93,090	-	-	93,090
Supplies	980	840	2,337	722	80	71	76	845	210	327	116	132	6,736	7,372	657	14,765
Technology	1,440	2,533	554	272	246	217	234	172	645	1,007	270	405	7,995	885	2,023	10,903
Telephone	1,060	1,867	409	200	181	160	172	126	476	742	199	299	5,891	653	1,488	8,032
Travel, meals and entertainment	13,017	127,647	54,747	1,584	89,260	4,833	2,848	12,258	32,393	50,231	4,040	28,455	421,313	10,997	705	433,015
Uncollectible contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	4,598	-	4,598
<b>Total Functional Expenses</b>	<b>\$ 83,499</b>	<b>\$ 348,654</b>	<b>\$ 131,978</b>	<b>\$ 21,884</b>	<b>\$ 103,451</b>	<b>\$ 16,189</b>	<b>\$ 14,063</b>	<b>\$ 21,218</b>	<b>\$ 63,851</b>	<b>\$ 103,496</b>	<b>\$ 17,129</b>	<b>\$ 50,336</b>	<b>\$ 975,748</b>	<b>\$ 171,042</b>	<b>\$ 102,556</b>	<b>\$ 1,249,346</b>

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, 2016

**Programs and Exchanges**

	Sister Cities Outreach & Education	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Cuba Educational Mission	Guiyang, China 5th Anniversary	Women's Policy Forum Conference - Toluca, Mexico	FWISD Spanish Immersion & Enrichment Camp	Total Programs and Exchanges	Fundraising	General & Administrative	Total
Bank fees	\$ 478	\$ 3,065	\$ 465	\$ 237	\$ 2,265	\$ 1,004	\$ 373	\$ 151	\$ 8,038	\$ 1,648	\$ 325	\$ 10,011
Contract labor	-	2,720	13,900	2,700	-	-	-	500	19,820	-	24,850	44,670
Copier lease	608	1,375	296	197	267	226	213	256	3,438	1,040	551	5,029
Depreciation	250	565	121	81	110	93	87	105	1,412	428	226	2,066
Dues and fees	485	858	185	123	167	141	133	160	2,252	649	344	3,245
Employee salaries	39,756	89,903	19,335	12,857	17,494	14,765	13,910	16,738	224,758	68,034	35,936	328,728
Payroll taxes	2,900	6,557	1,410	938	1,276	1,077	1,014	1,221	16,393	4,962	2,629	23,984
Employee benefits	4,921	11,128	2,393	1,592	2,165	1,828	1,722	2,072	27,821	8,422	4,461	40,704
Gift and promotional	54	5,803	845	318	1,062	91	19	23	8,215	1,413	49	9,677
Insurance	560	1,265	272	181	246	208	196	236	3,164	958	507	4,629
Legal and professional	1,981	4,480	964	641	872	736	693	834	11,201	3,390	1,796	16,387
Marketing	2,074	4,716	1,242	671	973	770	726	873	12,045	26,594	1,880	40,519
Meeting expenses	656	1,299	331	172	776	198	186	224	3,842	3,440	482	7,764
Parking	349	789	170	113	154	130	122	147	1,974	597	316	2,887
Postage and shipping	369	889	180	119	241	207	129	156	2,290	1,002	335	3,627
Rent	5,372	13,325	19,203	3,655	1,776	1,499	1,412	1,699	47,941	7,455	3,658	59,054
Scholarships	-	121,102	7,080	2,650	-	-	-	-	130,832	-	-	130,832
Supplies	1,547	1,333	3,539	1,408	255	259	203	244	8,788	10,865	526	20,179
Technology	1,100	2,488	535	356	484	409	385	463	6,220	1,883	997	9,100
Telephone	927	2,096	451	300	408	344	324	390	5,240	1,586	840	7,666
Travel, meals and entertainment	6,030	124,485	72,432	549	93,414	46,434	15,247	10,191	368,782	9,569	758	379,109
<b>Total Functional Expenses</b>	<b>\$ 70,417</b>	<b>\$ 400,241</b>	<b>\$ 145,349</b>	<b>\$ 29,858</b>	<b>\$ 124,405</b>	<b>\$ 70,419</b>	<b>\$ 37,094</b>	<b>\$ 36,683</b>	<b>\$ 914,466</b>	<b>\$ 153,935</b>	<b>\$ 81,466</b>	<b>\$ 1,149,867</b>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
	<u>          </u>	<u>          </u>
<b>Cash Flows From Operating Activities:</b>		
Decrease in net assets	\$ (51,178)	\$ (48,914)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	345	2,066
Net realized and unrealized gain on investments	(42,989)	(5,656)
Uncollectible contributions	4,598	-
Non-cash rent expense	31,786	32,106
Donated investment	-	(7,505)
Net changes in operating assets and liabilities:		
Accounts receivable	(7,247)	1,330
Prepaid expenses	(288)	3,322
Other assets	106	(314)
Accounts payable and accrued liabilities	33,537	(49,825)
Deferred revenue	(26,316)	(5,814)
Net cash used in operating activities	<u>(57,646)</u>	<u>(79,204)</u>
 <b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	-	61,837
Proceeds from redemption of investments	50,000	-
Purchase of investments	(10,294)	(88,862)
Net cash provided by (used in) investing activities	<u>39,706</u>	<u>(27,025)</u>
 Net decrease in cash and cash equivalents	(17,940)	(106,229)
 Cash and cash equivalents at beginning of year	<u>90,067</u>	<u>196,296</u>
 Cash and cash equivalents at end of year	<u><u>\$ 72,127</u></u>	<u><u>\$ 90,067</u></u>

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, 2017 and 2016**

**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 Cities Outreach and Education:**

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.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**A. Nature of Activities – continued**

**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.

**Educational Mission to Cuba:**

An educational exchange to Cuba led by City Councilmember Cary Moon along with Board Treasurer Walter Stucker, Board Members Richard Minker and Ronda Stucker, and Office Manager Danielle McCown for a people-to-people education mission similar to the outbound exchange to Cuba a year before. That year it was led by then Board Chairwoman Ann Rice, Director Emeritus Mike Hyatt, board member Jane Schlansker and President/CEO Mae Ferguson for a people-to-people educational mission. The trip provided the delegates an opportunity to meet the people of Cuba enabling them to develop friendships and a better understanding of the rich and varied cultural fabric of this unique nation through briefings with local university leaders, U.S. Embassy staff and the business community.

**DFW International Airport Mission to Mexico and Japan/China:**

An outbound exchange to Mexico, Japan and Hong Kong led by Fort Worth Mayor Betsy Price and Dallas Mayor Mike Rawlings, DFW Airport executives, Sister Cities board members, Fort Worth Visitors and Convention Bureau led by CEO Bob Jameson, Chamber of Commerce, and President/CEO Mae Ferguson to discuss business opportunities, as well as travel and tourism in Mexico City and Toluca, Mexico; Tokyo and Nagaoka, Japan; and Hong Kong, China. Mayor Price and the Fort Worth delegates met with numerous businesses and the press while in the sister city of Toluca and Nagaoka to promote travel to Fort Worth, as well as increasing commercial opportunities between cities.

**FWISD Spanish Immersion & Enrichment Camp:**

In its fourth year, this is a partnership with the Fort Worth Independent School District developed to provide Spanish Immersion and Enrichment to Fort Worth elementary students. It is led by native Spanish speakers from the prestigious Tec de Monterrey University in Toluca, Mexico.

**Educational Mission to Jordan:**

An educational exchange to Jordan led by members of the board of directors, board chairman of national Sister Cities International, and President/CEO Mae Ferguson for a people-to-people educational mission to Jordan. The exchange provided the delegates an opportunity to meet the people of Jordan enabling them to develop friendships and a better understanding of the rich and varied cultural fabric of this unique nation through briefings with local university leaders, U.S. Embassy staff and the business community.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**A. Nature of Activities – continued**

**Humanitarian Wheelchair Exchange with Rotary Fort Worth:**

A humanitarian exchange with the Rotary Fort Worth to deliver 300 wheelchairs and bikes to the people Mbabane, Swaziland. These gifts provide the only means of transportation to the many people of Swaziland. This is the third wheelchair humanitarian efforts by FWSCI. This exchange also provided training on how to repair wheelchairs and bikes and an opportunity for Think Outside the Box to provide entrepreneurial start-ups in Swaziland. This exchange will provide a long-lasting legacy of our humanitarian efforts with our sister city Mbabane, Swaziland. Delegates were afforded a visit at the U.S. Embassy in Mbabane as well as participate in their cultural celebrations.

**Exploratory Mission to Nimes, France:**

A mission to Nimes, France to explore the possibility of selecting Nimes as the 9th sister city of Fort Worth. Part of the long-range plan is to select new sister cities in countries where we can build mutually beneficial relationships through international education, exchange and commerce. The exchange was led by Long Range Planning Chair Patrick Miller, past Board Chair Ann Rice, Director Emerita Mary Palko, past FWISD ex-officio board member Michael Sorum and President/CEO Mae Ferguson. The team met with city officials, educators, chambers of commerce, as well as other economic development organizations and civic clubs. The exchange also included visiting cultural sites.

**Trier, Germany 30<sup>th</sup> Anniversary and Christkindl Market Exchange:**

An outbound exchange to Trier, Germany led by City of Fort Worth City Manager David Cooke and Board Chairman Johnny Campbell, Trier City Chair Hannah Behrens, Director Emeritus and Mrs. Mike Hyatt, Director Emerita Mary Palko and President/CEO Mae Ferguson, to celebrate the 30<sup>th</sup> anniversary of the Trier and Fort Worth sister city partnership as well as participate in the spectacular Christmas Market. The delegates of two cities discussed exchanges and future opportunities.

**Women's Policy Forum in Fort Worth and in Toluca, Mexico:**

A reciprocal exchange between Fort Worth and Toluca, Mexico to participate in a Women's Policy Forum sponsored three-day symposia focused on women's issues of respect, health, and education. During FY2016, a group of seventeen Fort Worth women traveled to Toluca for this highly successful exchange. A reciprocal exchange to Fort Worth for similar symposia took place in Fort Worth on April 10, 2017 – April 15, 2017, in a collaboration with Women's Policy Forum and Hispanic Women's Network of Texas.

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

**A. Nature of Activities – continued**

**Guiyang, China 5<sup>th</sup> Anniversary Celebration:**

An outbound exchange to Guiyang, China led by then Mayor Pro Tem Salvador Espino, board members and President/CEO Mae Ferguson to celebrate the successful five-year anniversary of the Fort Worth and Guiyang sister cities partnership. The delegates first experienced the city of Beijing and its culture and history before the official celebration in Guiyang and ended the exchange with a tour of Shanghai. The program re-affirmed the strong partnership between the two cities.

**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, 2017 and 2016, the Association had no such investments. The Association maintains deposits primarily in two financial institutions, 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.

**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.

**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**

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, 2017 and 2016.

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.

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.

**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**

**Investments – continued**

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 2017 and 2016. 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 life of the Association's equipment is 3 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 Association. 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.

**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.



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**NOTES TO FINANCIAL STATEMENTS (continued)**

**B. Summary of Significant Accounting Policies – continued**

**Federal Income Taxes**

The Association is 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 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.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses, the majority of which were in-kind contributions, were approximately \$71,000 and \$41,000 for the years ended September 30, 2017 and 2016, respectively.

**C. Pledge Receivable**

The Association has one pledge receivable related to donated rent (see Note F and I) which will expire in January 2019. The Association anticipates receiving a pledge renewal 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:

	<b>2017</b>	<b>2016</b>
Pledge receivable in less than one year	\$ 32,604	\$ 32,604
Pledge receivable thereafter	13,566	46,170
Total pledge receivable	46,170	78,774
Less: unamortized discount	1,699	2,517
Net pledge receivable	\$ 44,471	\$ 76,257

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**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, 2017 and 2016. All of the Association's investments are valued using Level 1 inputs and consisted of the following asset classes at September 30:

	<u>2017</u>	<u>2016</u>
Equity securities	\$ 48,460	\$ 49,430
Mutual funds		
Large cap growth	194,269	162,881
Large cap value	101,361	86,788
Small cap growth	34,979	29,759
Small cap blend	34,441	29,470
Corporate bonds	<u>61,557</u>	<u>113,456</u>
 Total investments	 <u>\$ 475,067</u>	 <u>\$ 471,784</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, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 15,967	\$ 30,489
Net realized and unrealized gain on investments	<u>42,989</u>	<u>5,656</u>
Investment gains before investment fees	58,956	36,145
Less investment fees	<u>3,421</u>	<u>3,051</u>
 Investment income, net	 <u>\$ 55,535</u>	 <u>\$ 33,094</u>

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**NOTES TO FINANCIAL STATEMENTS (continued)**

**E. Property and Equipment**

Property and equipment consisted of the following at September 30:

	<b>2017</b>	<b>2016</b>
Office equipment and furniture	\$ 40,944	\$ 40,944
Less accumulated depreciation	(40,944)	(40,599)
	\$ -	\$ 345

**F. Temporarily Restricted and Board Designated Net Assets**

Board designated net assets at September 30, 2017 and 2016 are \$412,244 and \$413,907, respectively, which have 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:

	<b>2017</b>	<b>2016</b>
Donated rent	\$ 43,973	\$ 75,759

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.

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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:

	<b>2017</b>	<b>2016</b>
2018 Members Circle	\$ 16,876	\$ -
Trier 30 <sup>th</sup> Anniversary and Christkindlmkt exchange	5,490	16,000
Nagaoka Middle School program	3,600	3,600
Cuba Education, Arts and Culture exchange	-	26,391
Amazingly Global Race fundraising	-	4,677
Nagaoka Youth Ambassador program	-	2,500
Other programs	886	-
	\$ 26,852	\$ 53,168

**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, 2017, was \$44,471 for the remaining lease term. Rent expense for the years ended September 30, 2017 and 2016, was approximately \$32,000 and \$33,000, respectively, including approximately \$32,000 of donated rent expense for each year.

Future minimum annual lease obligations, excluding donated rent, as of September 30, 2017, are approximately as follows:

2018	\$ 3,000	
2019	2,000	
Total	\$ 5,000	

*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. As there are no known or expected claims, no liability exists as of September 30, 2017 and 2016 related to this agreement.

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**NOTES TO FINANCIAL STATEMENTS *(continued)***

**J. Retirement Plan**

The Association has established a SIMPLE IRA plan covering substantially all employees. During the years ended September 30, 2017 and 2016, the Association made contributions to the plan totaling approximately \$11,000 and 9,000, respectively.

**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, 2017 and 2016, the Association paid approximately \$114,000 and \$105,000, 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 December 18, 2017, the date the financial statements were available for issuance.