



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

FINANCIAL STATEMENTS

**Years Ended September 30, 2018 and 2017
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, 2018 and 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018

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

STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,779	\$ 72,127
Accounts receivable	-	7,430
Donated rent receivable, net - short-term	13,001	31,470
Pledges receivable	125	-
Pledges receivable, related parties	18,506	-
Prepaid expenses	10,495	15,072
Total current assets	73,906	126,099
Donated rent receivable, net - long-term	-	13,001
Investments	530,760	475,067
Other assets	455	569
Total assets	\$ 605,121	\$ 614,736
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 103,403	\$ 84,158
Deferred revenue	10,171	26,852
Total liabilities	113,574	111,010
Net assets:		
Unrestricted:		
Designated	413,748	412,244
Undesignated	64,798	47,509
Total unrestricted	478,546	459,753
Temporarily restricted	13,001	43,973
Total net assets	491,547	503,726
Total liabilities and net assets	\$ 605,121	\$ 614,736

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, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:			
Contributions	\$ 72,682	\$ -	\$ 72,682
In-kind contributions	151,723	-	151,723
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	288,850	-	288,850
Special events, net of direct donor cost of \$61,461	7,880	-	7,880
Programs and exchanges	999,247	498	999,745
Interest and dividend income, net	27,096	-	27,096
Net realized and unrealized gain on investments	18,751	-	18,751
Release of restrictions	31,470	(31,470)	-
Total revenue, gains, and other support	1,647,699	(30,972)	1,616,727
Expenses:			
Programs and exchanges	1,408,479	-	1,408,479
Fundraising	138,117	-	138,117
General and administrative	82,310	-	82,310
Total expenses	1,628,906	-	1,628,906
Change in net assets	18,793	(30,972)	(12,179)
Net assets at beginning of year	459,753	43,973	503,726
Net assets at end of year	\$ 478,546	\$ 13,001	\$ 491,547

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
Interest and dividend 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>
Change 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 FUNCTIONAL EXPENSES

Year Ended September 30, 2018

	Programs and Exchanges														Fundraising	General & Administrative	Total
	Sister Cities Outreach & Education	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	Board Diplomatic Mission to Washington, DC	Citizen Diplomatic Mission to Budapest, Hungary	FWISD Dual Language Immersion Camp	Nagaoka 30th Anniversary Celebration	Nimes, France Exploratory Mission	Reggio Emilia, Italy Tricolore Sports Games	Diplomatic & Educational Mission to Russia	Trier, Germany 30th Anniversary Celebration	Total Programs and Exchanges				
Bank fees	\$ 611	\$ 3,040	\$ 593	\$ 165	\$ 72	\$ 992	\$ 33	\$ 1,216	\$ 44	\$ 2,354	\$ 1,154	\$ 81	\$ 10,355	\$ 1,704	\$ 376	\$ 12,435	
Contract labor	-	45,000	11,744	2,481	-	-	-	-	-	3,500	-	-	62,725	7,081	-	69,806	
Copier lease and maintenance	1,073	1,098	228	95	121	282	64	377	84	677	570	48	4,717	292	734	5,743	
Dues and subscriptions	682	698	145	60	77	179	41	240	53	9,088	362	31	11,656	185	466	12,307	
Employee salaries	47,180	73,810	15,315	6,373	8,152	18,971	4,298	25,345	5,632	45,551	38,338	3,261	292,226	44,614	49,343	386,183	
Payroll taxes	5,552	5,678	1,178	490	627	1,459	331	1,950	433	3,504	2,949	251	24,402	1,509	3,796	29,707	
Employee benefits	9,346	9,557	1,983	825	1,055	2,456	557	3,282	729	5,898	4,964	422	41,074	2,539	6,389	50,002	
Gifts	859	5,285	1,121	559	12	27	6	822	563	134	83	589	10,060	28	71	10,159	
Insurance	835	854	650	74	94	219	50	293	65	527	443	38	4,142	227	571	4,940	
Legal and professional	3,412	3,489	724	301	385	897	203	1,198	266	2,153	1,812	154	14,994	927	2,332	18,253	
Long range planning	26	27	6	2	3	7	2	9	2	17	14	1	116	7	18	141	
Marketing	8,065	6,078	1,963	523	730	1,661	353	2,815	463	3,742	3,221	418	30,032	21,628	9,053	60,713	
Meetings	1,858	495	199	43	1,642	127	153	170	430	317	257	76	5,767	1,550	331	7,648	
Parking	765	783	162	68	86	201	46	269	60	483	407	35	3,365	208	523	4,096	
Postage and shipping	431	441	92	45	49	113	26	835	34	272	246	842	3,426	1,123	295	4,844	
Rent	6,536	14,966	18,247	2,675	703	1,636	371	2,186	486	4,216	4,187	281	56,490	3,292	4,256	64,038	
Scholarships	-	83,964	13,650	1,075	-	650	-	6,555	-	178,792	-	-	284,686	-	-	284,686	
Supplies and equipment	1,096	1,190	2,475	1,266	97	227	813	709	183	14,271	728	99	23,154	4,671	589	28,414	
Technology	2,055	2,102	436	181	232	540	122	722	160	1,297	1,092	93	9,032	559	1,405	10,996	
Telephone	1,741	1,780	386	154	197	458	104	611	136	1,099	925	79	7,670	473	1,190	9,333	
Travel, meals and entertainment	12,768	150,581	57,864	1,239	1,729	24,468	15,531	75,420	1,511	125,532	30,421	11,326	508,390	45,500	572	554,462	
Total Functional Expenses	\$ 104,891	\$ 410,916	\$ 129,161	\$ 18,694	\$ 16,063	\$ 55,570	\$ 23,104	\$ 125,024	\$ 11,334	\$ 403,424	\$ 92,173	\$ 18,125	\$ 1,408,479	\$ 138,117	\$ 82,310	\$ 1,628,906	

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 Dual Language Immersion 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	
Total Functional Expenses	\$ 83,499	\$ 348,654	\$ 131,978	\$ 21,884	\$ 103,451	\$ 16,189	\$ 14,063	\$ 21,218	\$ 63,851	\$ 103,496	\$ 17,129	\$ 50,336	\$ 975,748	\$ 171,042	\$ 102,556	\$ 1,249,346	

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,	
	2018	2017
Cash Flows From Operating Activities:		
Decrease in net assets	\$ (12,179)	\$ (51,178)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	-	345
Net realized and unrealized gain on investments	(18,751)	(42,989)
Uncollectible contributions	-	4,598
Non-cash rent expense	31,470	31,786
Net changes in operating assets and liabilities:		
Accounts receivable	7,430	(7,247)
Pledges receivable	(125)	-
Pledges receivable, related parties	(18,506)	-
Prepaid expenses	4,577	(288)
Other assets	114	106
Accounts payable and accrued liabilities	19,245	33,537
Deferred revenue	(16,681)	(26,316)
Net cash used in operating activities	<u>(3,406)</u>	<u>(57,646)</u>
Cash Flows from Investing Activities:		
Proceeds from redemption of investments	35,000	50,000
Purchase of investments	(71,942)	(10,294)
Net cash provided by (used in) investing activities	<u>(36,942)</u>	<u>39,706</u>
Net decrease in cash and cash equivalents	(40,348)	(17,940)
Cash and cash equivalents at beginning of year	<u>72,127</u>	<u>90,067</u>
Cash and cash equivalents at end of year	<u><u>\$ 31,779</u></u>	<u><u>\$ 72,127</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

September 30, 2018 and 2017

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, and
- 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 (ongoing):

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 (ongoing):

Educational and cultural youth exchanges between Fort Worth and its sister cities.

International Leadership Academy (annual):

A summer program where high school students from all sister cities are invited to participate in cultural, leadership, and educational activities, engage in global problem-solving activities, discuss cultural issues, and build relationships through home-housing in Fort Worth. The international educators also conducted a global teachers’ summit during this period to share teaching methodologies with 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 (annual):

A summer program where middle school students from Fort Worth participate in cultural, leadership, and educational activities, engage in global problem-solving activities, discuss cultural issues, and build relationships.

FWISD Dual Language Immersion Camp (annual):

This is a partnership with the Fort Worth Independent School District (“FWISD”) developed to provide English and Spanish Immersion and Enrichment to Fort Worth elementary students. It is led by native Spanish speakers from the prestigious Tec de Monterrey University in Fort Worth’s sister city of Toluca, Mexico.

Board Diplomatic Mission to Washington, DC:

A delegation of nine board members along with President/CEO Mae Ferguson visited Washington, DC for an in-depth look at key international issues affecting Fort Worth and the nation. The mission included an international perspective given by four Embassies of Fort Worth’s sister cities - China, Italy, Japan, and Mexico; a foreign policy perspective by the U.S. Dept. of State presented by Irina Karmanova, Public Affairs Officer; separate briefings by Congresswoman Kay Granger, Rep. Ted Poe, House Judiciary Committee, and the Foreign Affairs Committee as Chairman of the Subcommittee on Terrorism, Nonproliferation and Trade, Rep. Henry Cuellar, Rep. Roger Williams, and Cesar Flores, staffer for Mario Diaz-Balart.

Citizen Diplomatic Ambassadors to Budapest, Hungary:

The exchange provided the opportunity to continue to build and foster the relationship between sister cities Fort Worth and Budapest. The delegation was led by City Councilwoman Ann Zadeh, Budapest Chair Greg Jackson, as well as two additional board members, President/CEO Mae Ferguson, and six Fort Worth citizen diplomats. Budapest Deputy Mayor Gabor Bagdy, who attended the 2017 Mayor’s International Dinner in Fort Worth, welcomed the delegation and arranged several discussion opportunities with staff of the Mayor’s office. The exchange allowed citizen diplomats and ambassadors of Fort Worth the opportunity to strengthen the relationship with Budapest and showcase Fort Worth to officials and citizens who had not previously visited Fort Worth or Texas. The delegation also visited Bratislava, Slovakia, and Prague, the capital and largest city in the Czech Republic, to promote Fort Worth and the U.S. as citizen diplomats.

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

A. Nature of Activities – continued

Nagaoka, Japan 30th Anniversary in Fort Worth and Nagaoka, Japan:

Fort Worth and Nagaoka celebrated their 30th Anniversary as partners. The Nagaoka delegation to Fort Worth was led by Mayor Tatsunobu Isoda, various city directors, and city council members totaling twenty-three adults and five university students. Meetings were held with City of Fort Worth officials and staff members. The outbound exchange to Nagaoka, Japan was led by Councilman Cary Moon and consisted of three groups representing education, business, and citizen diplomacy. There were four FWSCI board members, including Nagaoka Chair Libby Watson, along with eighteen adults.

Nîmes, France Exploratory Missions:

Part of the Sister Cities' long-range plan is to add two new sister cities in countries commerce over the next few years. As a result, this program represents a mission to Nimes, France to explore the possibility of partnering with Nimes as the 9th sister city of Fort Worth. During 2017 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, economic development organizations, and civic clubs. The exchange also included visiting cultural sites.

During 2018 Nîmes, France Mayor Jean-Paul Fournier led an exploratory mission to Fort Worth along with Mrs. Fournier, two deputy mayors, a university president, the chamber of commerce president, and the assistant director of the Mayor's Cabinet. The group explored Fort Worth, met with Mayor Price and Mayor Pro Tem Shingleton, met with Fort Worth Chamber representatives and business leaders, participated in cultural activities and toured the Will Rogers Memorial Stadium and attended the Fort Worth Stock Show, and visited universities. Upon their return to Nîmes, France, the Mayor and leadership voted and agreed to send an official request to Mayor Price for the two cities to partner as sister cities. Mayor Price and City Council voted to accept Nîmes' invitation and a delegation from Nîmes will visit Fort Worth February 12-17, 2019, for the official signing of the agreement. Mayor Price and other Fort Worth leaders will visit Nîmes September 25-August 4, 2019, where we can build mutually beneficial relationships through international education and exchange, and to sign the agreement there.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Reggio Emilia, Italy Tricolore Sports Games:

This outbound program held every four years in Reggio Emilia, Italy, consisting of student athletes and coaches, provided the opportunity for participants to represent Fort Worth and the USA in an Olympic-style youth sports competition. The delegation included 62 athletes, 14 coaches and assistants, and 5 leadership team members, led by FWSCI Reggio Emilia Chair, Michael Jacobsson. The group consisted of four baseball teams, a boys' swim team, and a girls' volleyball team, as well as approximately 50 parents and family members who travelled there to support the athletes, as well as represent the USA and Fort Worth. The Games featured athletes aged 11-18 from 30+ countries, including Mozambique, the Palestinian Territory, Israel, South Africa, China, Saharawi Republic, and the USA, to name a few, in 30 sport disciplines. The Fort Worth teams won gold medals in girls' volleyball, under 12 baseball, under 18 baseball, and bronze in under 15 baseball. The next Games will take place in 2022.

Diplomatic and Educational Mission to Russia:

A diplomatic/educational mission to Russia was led by board members Mike and Rae Hyatt, Walter and Ronda Stucker, Melissa Thompson, and President/CEO Mae Ferguson, along with several Sister Cities International board members. The mission was to continue the citizen diplomacy efforts of the U.S. due to the deteriorating relations with Russia to help reduce tension through education of each other's cultures and people-to-people connections. Meetings were held with former President Mikhail Gorbachev, U.S. Embassy Minister Counselor for Public Affairs Tom Leary, and various citizens including the media, entrepreneurs, a missile expert, university students, and others. The mission demonstrated the ability of citizen diplomats to come together and learn from each other.

Trier, Germany 30th Anniversary Celebration in Fort Worth:

This was an inbound reciprocal exchange to Fort Worth to celebrate the 30th Anniversary between Fort Worth and Trier, Germany. Fifty-two delegates, led by the Mayor of Trier, including his wife Dr. Andrea Sand, four Trier City Council members, Trier Sister Cities manager, members of Gesellschafts, and 36 members of the Stadtgarde, the official honor guard of the City, visited Fort Worth for eight days. The delegates met with City officials, participated in a reaffirmation of the relationship's goals held at City Hall, performed at Sundance Square in celebration of the anniversary, and visited many friends from Fort Worth who had been instrumental in forming the partnership thirty years ago.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Educational Mission to Cuba (2017):

An educational/exploratory mission 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. A similar mission the previous year 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.

Women’s Conference in Fort Worth and in Toluca, Mexico (2016 and 2017):

A reciprocal exchange between Fort Worth and Toluca, Mexico to participate in a Women’s Policy Forum and Hispanic Women’s Network co-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 conference. A reciprocal exchange to Fort Worth for a similar symposium took place in Fort Worth on April 10-15, 2017, supported by Fort Worth’s Women’s Policy Forum and Hispanic Women’s Network of Texas.

DFW International Airport Mission to Mexico and Japan/China (2017):

Outbound Missions to Mexico and Japan led by Fort Worth Mayor Betsy Price and Dallas Mayor Mike Rawlings, DFW Airport executives, Sister Cities board members, Visit Fort Worth led by CEO Bob Jameson, David Berzina, Fort Worth Chamber of Commerce VP, and President/CEO Mae Ferguson to discuss business opportunities, as well as travel and tourism in Mexico City and Toluca, Mexico; and Tokyo and Nagaoka, Japan. Mayor Price and the Fort Worth delegates met with numerous businesses and the press while in the sister cities of Toluca and Nagaoka to promote travel to Fort Worth, as well as increasing commercial opportunities between cities.

Humanitarian Wheelchair Exchange with Rotary Fort Worth to Mbabane, eSwatini (2017):

This was a humanitarian mission with the Rotary Club of Fort Worth to deliver 300 wheelchairs and bikes to the people of Mbabane, eSwatini. These gifts provide the only means of transportation to the many people of eSwatini. This is the fifth humanitarian mission to eSwatini conducted by FWSCI. This exchange also provided training on repair of the wheelchairs and bikes and an opportunity for Think Outside the Box, a partnering organization, to provide entrepreneurial start-ups in eSwatini. This exchange will provide a long-lasting legacy of humanitarian efforts with our sister city Mbabane, eSwatini. Delegates also visited the U.S. Embassy in Mbabane and participated in cultural celebrations.

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NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Trier, Germany 30th Anniversary and Christkindl Market Exchange in Trier (2017):

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 30th anniversary of the Trier and Fort Worth partnership, as well as participate in the spectacular Christmas Market. The delegates of the two cities discussed future exchanges and opportunities, visited with local business leaders on possible collaborations, nurtured friendships from past exchanges, and visited the U.S. Cemetery in Luxembourg.

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, 2018 and 2017, 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.

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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 which 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, 2018 and 2017.

The Association maintains investments in several financial institutions that are covered members of the Securities Investor Protection Corporation (“SIPC”), which may at times exceed amounts covered by insurance provided by the SIPC. The Association has not experienced any losses related to amounts in excess of SIPC limits.

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:

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NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Investments – continued

- 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.

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 2018 and 2017. 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. The Association's equipment was fully depreciated at September 30, 2018 and 2017.

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.

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NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

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.

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 \$61,000 and \$71,000 for the years ended September 30, 2018 and 2017, respectively.

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NOTES TO FINANCIAL STATEMENTS (continued)

C. Donated Rent Receivable

The Association has a receivable related to donated rent (see Notes 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,:

	2018	2017
Rent receivable in less than one year	\$ 13,585	\$ 32,604
Rent receivable thereafter	-	13,566
Total rent receivable	13,585	46,170
Less: unamortized discount	584	1,699
Net pledge receivable	<u>\$ 13,001</u>	<u>\$ 44,471</u>

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, 2018 and 2017. All of the Association's investments are valued using Level 1 inputs and consisted of the following asset classes at September 30,:

	2018	2017
Equity securities	\$ 46,530	\$ 48,460
Mutual funds		
Large cap growth	218,470	194,269
Large cap value	109,989	101,361
Small cap growth	46,076	34,979
Small cap blend	38,062	34,441
Corporate bonds	71,633	61,557
Total investments	<u>\$ 530,760</u>	<u>\$ 475,067</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.

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NOTES TO FINANCIAL STATEMENTS (continued)

D. Investments – continued

The components of investment income for the years ended September 30, 2018 and 2017, is summarized as follows:

	2018	2017
Interest and dividend income	\$ 31,061	\$ 15,967
Net realized and unrealized gain on investments	18,751	42,989
Investment gains before investment fees	49,812	58,956
Less: investment fees	3,965	3,421
Investment income, net	\$ 45,847	\$ 55,535

E. Property and Equipment

Property and equipment consisted of the following at September 30,:

	2018	2017
Office equipment and furniture	\$ 40,944	\$ 40,944
Less: accumulated depreciation	(40,944)	(40,944)
	\$ -	\$ -

F. Temporarily Restricted and Board Designated Net Assets

Board designated net assets at September 30, 2018 and 2017, are \$413,748 and \$412,244, 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,:

	2018	2017
Donated rent	\$ 13,001	\$ 43,973

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 Notes C and I).

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NOTES TO FINANCIAL STATEMENTS (continued)

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. The Association is currently negotiating the terms of a new funding commitment with the City.

H. Deferred Revenue

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

	2018	2017
Members Circle	\$ 5,571	\$ 16,876
Trier 30 th Anniversary celebration	-	5,490
Nagaoka Middle School program	3,600	3,600
Other programs	1,000	886
Total deferred revenue	\$ 10,171	\$ 26,852

I. Concentrations

At September 30, 2018, the Association had two receivables which accounted for approximately 95% of pledges receivable, related parties. At September 30, 2017, there were no similar concentrations.

J. 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 lease for office space. The lease term is from January 30, 2014 to January 29, 2019. In conjunction with the new funding commitment in Note G, the Association is currently negotiating the terms of new lease with the City. 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, 2018, was approximately \$13,000 for the remaining lease term. Rent expense was approximately \$33,000 and \$32,000 for the years ended September 30, 2018 and 2017, respectively, including approximately \$31,000 and \$32,000 of donated rent expense, respectively.

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NOTES TO FINANCIAL STATEMENTS (continued)

J. Commitments and Contingencies – continued

Future minimum annual lease obligations, excluding donated rent, as of September 30, 2018, are approximately as follows:

2019	<u>\$ 2,000</u>
Total	<u><u>\$ 2,000</u></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. As there are no known or expected claims, no liability exists as of September 30, 2018 and 2017, related to this agreement.

K. Retirement Plan

The Association has established a SIMPLE IRA plan (the “Plan”) covering substantially all employees. The Association made contributions to the Plan totaling approximately \$11,000 during each of the years ended September 30, 2018 and 2017.

L. Related Party

Pledges for various fundraising activities are often made by either board members, companies affiliated with board members, or other affiliated sister cities organizations. Pledges receivable from these parties totaled approximately \$19,000 at September 30, 2018. No such amounts were outstanding at September 30, 2017.

Travel, 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, 2018 and 2017, the Association paid approximately \$541,000 and \$114,000, respectively, to such related parties.

M. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through December 18, 2018, the date the financial statements were available for issuance.