



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

FINANCIAL STATEMENTS

**Years Ended September 30, 2019 and 2018
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, 2019 and 2018

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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, which comprise the statements of financial position as of September 30, 2019 and 2018, 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 ("GAAP"); 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 International Sister Cities Association of Fort Worth, Inc. dba Fort Worth Sister Cities International as of September 30, 2019 and 2018, and the results of its activities and its cash flows for the years then ended in conformity with GAAP.



Fort Worth, Texas
January 3, 2020

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

STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,704	\$ 31,779
Accounts receivable	3,548	-
Accounts receivable , related parties	1,237	-
Donated rent receivable, net - short-term	16,000	13,001
Pledges receivable	9,000	125
Pledges receivable, related parties	4,750	18,506
Prepaid expenses	8,306	10,495
Total current assets	58,545	73,906
Investments	530,555	530,760
Property and equipment, net	1,078	-
Other assets	578	455
Total assets	\$ 590,756	\$ 605,121
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 73,447	\$ 103,403
Deferred revenue	63,350	10,171
Total liabilities	136,797	113,574
Net assets:		
Without donor restrictions		
Designated	413,748	412,244
Undesignated	24,211	66,302
Total without donor restrictions	437,959	478,546
With donor restrictions	16,000	13,001
Total net assets	453,959	491,547
Total liabilities and net assets	\$ 590,756	\$ 605,121

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Contributions	\$ 55,446	\$ -	\$ 55,446
In-kind contributions	136,634	48,000	184,634
Fort Worth fee services agreement	50,000	-	50,000
Membership dues	315,968	-	315,968
Special events, net of direct donor cost of \$64,495	(1,516)	-	(1,516)
Programs and exchanges	631,118	-	631,118
Interest and dividend income, net	44,844	-	44,844
Net realized and unrealized loss on investments	(44,674)	-	(44,674)
Release of restrictions	45,001	(45,001)	-
Total revenue, gains, and other support	1,232,821	2,999	1,235,820
Expenses:			
Programs and exchanges	1,050,076	-	1,050,076
Fundraising	157,451	-	157,451
General and administrative	65,881	-	65,881
Total expenses	1,273,408	-	1,273,408
Change in net assets	(40,587)	2,999	(37,588)
Net assets at beginning of year	478,546	13,001	491,547
Net assets at end of year	\$ 437,959	\$ 16,000	\$ 453,959

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>1,647,699</u>	<u>(30,972)</u>	<u>1,616,727</u>
Expenses:			
Programs and exchanges	1,408,479	-	1,408,479
Fundraising	138,117	-	138,117
General and administrative	82,310	-	82,310
Total expenses	<u>1,628,906</u>	<u>-</u>	<u>1,628,906</u>
Change in net assets	18,793	(30,972)	(12,179)
Net assets at beginning of year	<u>459,753</u>	<u>43,973</u>	<u>503,726</u>
Net assets at end of year	<u>\$ 478,546</u>	<u>\$ 13,001</u>	<u>\$ 491,547</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, 2019

	Programs and Exchanges									Supporting Services			Total
	Sister Cities Outreach & Education	Youth & Educator Ambassador Programs	International Leadership Academy	Junior International Leadership Academy	FWISD Dual Language Immersion Camp	Nimes, France Official Signing	Open World: Kazakhstan	Reggio Emilia, Italy Tennis Exchange	South America Exploration	Total Programs and Exchanges	Fundraising	General & Administrative	
Bank fees	\$ 850	\$ 3,719	\$ 880	\$ 195	\$ 83	\$ 2,750	\$ 73	\$ 516	\$ 1,320	\$ 10,386	\$ 1,714	\$ 275	\$ 12,375
Contract labor	-	46,844	-	-	-	-	-	-	-	46,844	5,000	-	51,844
Copier lease and maintenance	1,166	1,302	408	94	128	866	113	84	314	4,475	423	424	5,322
Depreciation	79	88	28	6	9	58	8	6	21	303	29	29	361
Dues and subscriptions	771	861	269	62	85	572	74	56	208	2,958	279	280	3,517
Employee salaries	59,192	94,042	29,438	6,765	9,264	62,532	8,129	6,095	22,671	298,128	45,535	40,603	384,266
Payroll taxes	6,010	6,713	2,101	483	661	4,464	580	435	1,618	23,065	2,180	2,185	27,430
Employee TWC	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	9,648	10,777	3,374	775	1,062	7,166	932	698	2,598	37,030	3,499	3,507	44,036
Gifts	3,017	1,534	4,031	2,257	10	2,171	79	6	24	13,129	609	32	13,770
Insurance	986	1,101	345	79	108	732	95	71	265	3,782	357	358	4,497
Legal and professional	4,303	4,806	1,504	346	473	3,196	415	311	1,159	16,513	1,561	1,564	19,638
Long Range Planning	138	154	48	11	15	102	13	10	37	528	50	50	628
Marketing	4,696	5,510	1,584	364	498	4,317	437	328	1,321	19,055	22,115	9,656	50,826
Meetings	590	1,159	206	47	65	483	102	43	159	2,854	1,162	215	4,231
Membership development	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking	828	936	290	67	91	615	80	60	223	3,190	300	301	3,791
Postage and shipping	658	735	237	53	72	488	63	48	177	2,531	945	239	3,715
Rent	10,670	12,674	4,634	5,146	1,125	7,593	987	740	2,753	46,322	3,708	3,716	53,746
Scholarships	-	76,604	20,615	475	-	1,906	-	325	-	99,925	-	-	99,925
Supplies and equipment	847	1,168	839	861	1,855	710	82	61	228	6,651	5,948	308	12,907
Technology	2,550	2,848	892	205	281	1,894	246	185	687	9,788	925	927	11,640
Telephone	2,369	2,647	828	190	261	1,760	229	172	638	9,094	859	861	10,814
Travel, meals and entertainment	8,014	136,161	68,782	356	14,614	93,494	2,971	17,382	51,751	393,525	60,253	351	454,129
Total Functional Expenses	\$ 117,382	\$ 412,383	\$ 141,333	\$ 18,837	\$ 30,760	\$ 197,869	\$ 15,708	\$ 27,632	\$ 88,172	\$ 1,050,076	\$ 157,451	\$ 65,881	\$ 1,273,408

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													Supporting Services		
	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	Fundraising	General & Administrative	Total
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**

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2019	2018
Cash Flows From Operating Activities:		
Decrease in net assets	\$ (37,588)	\$ (12,179)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	359	-
Net realized and unrealized loss (gain) on investments	44,674	(18,751)
Non-cash rent expense	45,001	31,470
Donated rent	(48,000)	-
Net changes in operating assets and liabilities:		
Accounts receivable	(3,548)	7,430
Accounts receivable, related parties	(1,237)	-
Pledges receivable	(8,875)	(125)
Pledges receivable, related parties	13,756	(18,506)
Prepaid expenses	2,189	4,577
Other assets	(123)	114
Accounts payable and accrued liabilities	(29,956)	19,245
Deferred revenue	53,179	(16,681)
Net cash provided by (used in) operating activities	29,831	(3,406)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,437)	-
Proceeds from redemption of investments	125,127	35,000
Purchase of investments	(169,596)	(71,942)
Net cash provided by (used in) investing activities	(45,906)	(36,942)
Net decrease in cash and cash equivalents	(16,075)	(40,348)
Cash and cash equivalents at beginning of year	31,779	72,127
Cash and cash equivalents at end of year	\$ 15,704	\$ 31,779

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, 2019 and 2018

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 solely dedicated 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”) nine sister city relationships around the world. These sister city relationships:

- Orchestrate internationally recognized inbound and outbound exchange programs,
- Provide essential cultural competency education and training,
- 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 Exchanges and Outreach (ongoing):

Regular meetings, events, and activities organized by members that feature the cultures, business connections, and global initiatives of Fort Worth’s nine 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 dynamic summer leadership program bringing Fort Worth students together with high school students from around the world. Through the program, students gain essential leadership and communication skills from cross-cultural activities such as art, music, and language studies. During FY2019, the International Leadership Academy (“ILA”) took place in Japan to commemorate the academy’s 30th anniversary and will return to Fort Worth in 2020.

**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 leadership program specifically designed for middle school students who meet and interact with other Fort Worth middle school students, as well as university students from Toluca, Mexico while studying international cultures in a creative, fun, and educational environment. The curriculum is designed to encourage students to explore and focus on current issues as they gain essential leadership and communication skills through cross-cultural activities such as art, music, and language.

FWISD Dual Language Immersion Camp (annual):

In its seventh year, this is a partnership with the Fort Worth Independent School District (“FWISD”) developed to provide a summer enrichment program for FWISD students in dual language studies to increase language and literacy across the content areas. It is led by native Spanish speakers from the prestigious Tec de Monterrey University in Fort Worth’s sister city of Toluca, Mexico.

Official Signing between Nîmes, France and Fort Worth as sister cities (2019):

Delegates from Nîmes, France visited Fort Worth February 12 - 17, 2019, for the official sister cities signing. The delegation included Mayor and Mrs. Fournier, Deputy Mayor of Social Affairs and Twinning, Mrs. Chantal Barbusse, Councillor Over Youth Mrs. Sendin, Deputy Mayor of Culture, Mr. Valade, and Mayor’s Cabinet Representative Mr. Marzo. The signing ceremony was conducted at the The Modern Art Museum with Councilwoman Ann Zadeh officiating, along with various board members including Chairwoman Veronica Chavez Law, Past Chairman Johnny Campbell, Nîmes Chair Rachel Malone, President/CEO Mae Ferguson, and nearly 200 Fort Worth citizen diplomats. The delegates had the opportunity to participate in our arts and culture by visiting the Stockyards, museums, businesses, as well as a reception at the home of Tom and Therese Moncrief and a tour of their ranch.

The reciprocal signing on French soil took place September 25 – October 4, 2019, in Nîmes, France. The Fort Worth delegation of forty (40) was led by Councilmembers Bryan Bird and Cary Moon, Chairwoman Veronica Chavez Law, Nîmes Chair Rachel Malone, Director Emerita Mary Palko, Board of Directors Michaela Cromar, Jeff Davis, Pat Miller, Brad Mahon, Ann Rice, and President/CEO Mae Ferguson. The City provided many opportunities to visit significant sites, schools, and the opportunity to meet officials and community leaders. The delegates also visited Giverny, Paris, Mont-Saint-Michel, and Normandy.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Open World: Kazakhstan (2019):

Funded by the U.S. Congress, seven young professionals from Kazakhstan visited Fort Worth to study the role and functions of U.S. libraries and community centers. The delegates were home hosted as required by the Open World Program. Activities included a welcome dinner at a board member's home, sight-seeing, and one full day of presentations at the Central Library. Other visits included various libraries in the area, the Doc Session Community Center with a presentation by Councilwoman Kelly Allen Gray, the Riverside Community Center, and a tour of the George Bush Presidential Library and Museum, as well as a tour of the Sixth Floor Museum in Dallas.

Reggio Emilia, Italy Tennis Exchange (2019):

Six citizen diplomats participated in a tennis tournament in Reggio Emilia, Italy led by Chairwoman Veronica Chavez Law. The delegates met with their Italian counterparts for the tournament, as well as social gatherings. Other activities included a tour to Cinque Terra, a gastronomic and cultural tour of Reggio Emilia, and an extensive tour of Milan, Italy. The Italian tennis players will travel to Fort Worth in 2020 for a reciprocal tournament.

Exploratory Mission to South America (2019):

An exploratory/educational mission to Argentina and Uruguay led by board members Frank Tilley, Cindy Johnson, Melissa Thompson, and President/CEO Mae Ferguson. As stipulated in the long range plan of FWSCI, the mission was to explore cities/countries that are not partnered with the organization and to learn about that part of the world. It included visits to embassies, meeting people through service clubs, business communities, municipal leaders, and to participate in their culture.

Board Diplomatic Mission to Washington, DC (2018):

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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

A. Nature of Activities – continued

Citizen Diplomatic Ambassadors to Budapest, Hungary (2018):

This 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, 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 of both Fort Worth and Budapest the opportunity to strengthen the relationship through home hosted meals. 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.

Nagaoka, Japan 30th Anniversary in Fort Worth and Nagaoka, Japan (2018):

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, and business representatives from the Firestone & Robertson Distillery and Best Maid Pickles.

Nîmes, France Exploratory Mission to Fort Worth (2018):

Nîmes, France Mayor Jean-Paul Fournier led an exploratory mission to Fort Worth along with Mrs. Fournier, two deputy mayors, a university president, 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, toured the Will Rogers Memorial Coliseum, attended the Fort Worth Stock Show, and visited universities. Upon their return to Nîmes 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 the City Council voted to accept Nîmes’ invitation and a delegation from Nîmes visited Fort Worth February 12th through 17th, 2019, for the official signing of the agreement. Mayor Price and other Fort Worth leaders will visit Nîmes September 25-October 4, 2019, 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 (2018):

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 Reggio Emilia Chair, Michael Jacobsson. The group consisted of four baseball teams, boys swim team, and girls volleyball team, as well as approximately 50 parents and family members who travelled there to support the athletes and 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 2021.

Diplomatic and Educational Mission to Russia (2018):

A diplomatic and 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 FWSCI 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, US Embassy Minister Counselor for Public Affairs Tom Leary, and various citizens including the media, entrepreneurs, a missile expert, university student, 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 (2018):

Trier visited Fort Worth on this inbound reciprocal exchange 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 international relations manager, members of the Gesellschaft, and 36 members of the Stadtgarde, the official honor guard of Trier City, visited Fort Worth for eight days. The delegates met with City officials, participated in a reaffirmation of the relationship 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)

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, 2019 and 2018, 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.

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.

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NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

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, 2019 and 2018.

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:
 - 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.

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NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

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 2019 and 2018. 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. Depreciation expense was approximately \$400 for 2019 and there was no depreciation expense for 2018.

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.

Revenue and Support With and Without Donor Restrictions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various exchanges and outreach programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The exchanges and outreach program expenses are allocated between each program or exchange based on various components. The expenses that are allocated include salaries, employee benefits, rent, other occupancy expense, technology, office expenses, travel, and depreciation, which are allocated on the basis of estimates of time and effort. Such allocations are determined by management on an equitable basis.

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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 \$24,000 and \$61,000 for the years ended September 30, 2019 and 2018, respectively.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

C. Availability and Liquidity

The following represents the Association’s financial assets at September 30, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 15,504	\$ 31,779
Accounts receivable, including related parties	4,785	-
Pledges receivable, including related parties	13,750	18,631
Investments	530,555	530,760
Financial assets available to meet general expenditures over the next twelve months	\$ 564,594	\$ 581,170

As part of the Association’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTES TO FINANCIAL STATEMENTS (continued)

D. Donated Rent Receivable

The Association has a receivable related to donated rent (see Notes G and K) which expired in January 2019. As of September 30, 2018, the receivable has been discounted using a discount rate of 1.00%. The Association received a pledge renewal over the next year, which expires in January 2020. The pledge receivable consisted of the following at September 30,:

	2019	2018
Rent receivable in less than one year	\$ 16,000	\$ 13,585
Less: unamortized discount	-	584
Net pledge receivable	\$ 16,000	\$ 13,001

E. 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, 2019 and 2018. All of the Association's investments are valued using Level 1 inputs and consisted of the following asset classes at September 30,:

	2019	2018
Equity securities	\$ 99,663	\$ 46,530
Mutual funds		
Large cap growth	192,913	218,470
Large cap value	120,903	109,989
Small cap growth	47,582	46,076
Small cap blend	48,720	38,062
Corporate bonds	20,774	71,633
Total investments	\$ 530,555	\$ 530,760

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 Association does not have any level 2 or 3 investments.

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NOTES TO FINANCIAL STATEMENTS (continued)

E. Investments – continued

The components of investment income for the years ended September 30, 2019 and 2018, is summarized as follows:

	2019	2018
Interest and dividend income	\$ 48,942	\$ 31,061
Net realized and unrealized gain (loss) on investments	(44,674)	18,751
Investment gains before investment fees	4,268	49,812
Less: investment fees	4,098	3,965
Investment income, net	\$ 170	\$ 45,847

F. Property and Equipment

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

	2019	2018
Office equipment and furniture	\$ 42,380	\$ 40,944
Less: accumulated depreciation	(41,302)	(40,944)
	\$ 1,078	\$ -

G. Net Assets with Restrictions

Board designated net assets at September 30, 2019 and 2018, are \$413,748, which have been designated by the board to be used as an emergency/special needs fund.

Net assets with donor restrictions consisted of the following at September 30,:

	2019	2018
Donated rent	\$ 16,000	\$ 13,001

Donation of rent is recognized as revenue when pledged and is considered donor restricted to time over the lease term. Restriction is released as rent expense is recorded (see Notes C and I).

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NOTES TO FINANCIAL STATEMENTS (continued)

H. 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, 2019, 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.

I. Deferred Revenue

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

	2019	2018
Toluca 30 th Anniversary and Dia de los Muertos	\$ 33,740	\$ -
Members Circle	25,000	5,571
Nagaoka Middle School program	3,600	3,600
Other programs	1,010	1,000
Total deferred revenue	\$ 63,350	\$ 10,171

J. Concentrations

At September 30, 2019, the Association had three receivables which accounted for approximately 65% of accounts receivables, including accounts receivable, related parties. At September 30, 2018, the Association had two receivables which accounted for approximately 95% of pledges receivable, related parties.

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NOTES TO FINANCIAL STATEMENTS (continued)

K. 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 was from January 30, 2014 to January 29, 2019. In conjunction with the funding commitment in Note G, the Association negotiated the terms of a new lease with the City in 2019 which extended the lease to January 20, 2020. The Association also has the option to renew for four additional one-year terms. 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, 2019 and 2018, was approximately \$16,000 and \$13,000, respectively for the remaining lease terms. Rent expense was approximately \$50,000 and \$33,000 for the years ended September 30, 2019 and 2018, respectively, including approximately \$45,000 and \$31,000 of donated rent expense, respectively.

Future minimum annual lease obligations, excluding donated rent, as of September 30, 2019, are approximately as follows:

2020	\$ 2,988
2021	2,988
2022	2,988
2023	2,988
2024	<u>1,494</u>
Total	<u>\$ 13,446</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, 2019 and 2018, related to this agreement.

L. 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, 2019 and 2018.

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NOTES TO FINANCIAL STATEMENTS *(continued)*

M. 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 \$5,000 and \$19,000 at September 30, 2019 and 2018.

Receivables for officials to participate in exchanges are often made by affiliated sister cities organizations. Receivables from these parties totaled approximately \$1,000 at September 30, 2019. There were no such receivables at September 30, 2018.

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, 2019 and 2018, the Association paid approximately \$365,000 and \$541,000, respectively, to such related parties.

N. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through January 3, 2020, the date the financial statements were available for issuance.