

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Sister Cities of Nashville, Inc.  
Nashville, Tennessee

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sister Cities of Nashville, Inc. (the "Organization"), which comprise the statement of assets and net assets (cash basis) as of June 30, 2019, and the related statements of revenues, expenses and changes in net assets (cash basis) and functional expenses (cash basis) for the year then ended, and the related notes to the financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 assets and net assets of Sister Cities of Nashville, Inc. as of June 30, 2019, and its revenues, expenses and changes in net assets and functional expenses for the year then ended in accordance with the cash basis of accounting as described in Note 2.

## BASIS OF ACCOUNTING

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Knoff CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
March 19, 2020

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF ASSETS AND NET ASSETS  
(CASH BASIS)

JUNE 30, 2019

ASSETS

Cash	\$ 95,524
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NET ASSETS

Net assets without donor restrictions	\$ 95,524
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See accompanying notes to the financial statements.

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
(CASH BASIS)

FOR THE YEAR ENDED JUNE 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions	\$ 16,303	\$ -	\$ 16,303
Membership revenues	10,330	-	10,330
Fundraising events	58,578	-	58,578
Government grant	115,000	-	115,000
Student exchange fees	23,504	-	23,504
Net assets released from restrictions	<u>3,333</u>	<u>(3,333)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>227,048</u>	<u>(3,333)</u>	<u>223,715</u>
FUNCTIONAL EXPENSES			
Program services	146,467	-	146,467
Management and general	25,760	-	25,760
Fundraising	<u>19,810</u>	<u>-</u>	<u>19,810</u>
TOTAL FUNCTIONAL EXPENSES	<u>192,037</u>	<u>-</u>	<u>192,037</u>
CHANGE IN NET ASSETS	35,011	(3,333)	31,678
NET ASSETS - BEGINNING OF YEAR	<u>60,513</u>	<u>3,333</u>	<u>63,846</u>
NET ASSETS - END OF YEAR	<u>\$ 95,524</u>	<u>\$ -</u>	<u>\$ 95,524</u>

See accompanying notes to the financial statements.

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
(CASH BASIS)

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		
	City Partnerships, Nashville Partnerships and Student Exchanges	Management and General	Fundraising	Total
Executive director labor	\$ 66,916	\$ 8,364	\$ 8,364	\$ 83,644
Executive director international program travel	4,400	-	-	4,400
Student exchange labor	12,333	-	-	12,333
Hosting of delegation visits	20,123	-	-	20,123
Belfast program	795	-	-	795
Student exchange scholarships and travel costs	28,506	-	-	28,506
Administration	3,837	10,742	767	15,346
Event expenses	-	-	7,901	7,901
Financial transaction fees	-	-	1,188	1,188
Insurance	4,650	581	581	5,812
Membership meeting	-	1,361	-	1,361
Mileage	2,612	145	145	2,902
Professional fees	-	3,846	427	4,273
Publicity	-	147	437	584
International dues and conference	2,295	574	-	2,869
Totals	<u>\$ 146,467</u>	<u>\$ 25,760</u>	<u>\$ 19,810</u>	<u>\$ 192,037</u>

See accompanying notes to the financial statements.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION AND GENERAL

Sister Cities of Nashville, Inc. (the "Organization") was organized as a Tennessee not-for-profit corporation in 1990 to foster understanding among citizens of Nashville and other cultures of the world through its exchanges, cultural programs and community partnership. The mission of the Organization is to promote peace through mutual respect, understanding and cooperation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Revenues and support are recognized when collected rather than when incurred. Expenses are recognized when paid rather than when incurred. Donated goods and services that meet the GAAP recognition criteria are not recorded.

Revenues and support are classified as net assets with donor restrictions and net assets without donor restrictions, based on the existence or absence of donor-imposed restrictions, as follows:

*Net assets without donor restrictions* : Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions at June 30, 2019.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Assets and Net Assets (cash basis). If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases in net assets without donor restrictions.



SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other and Support

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the acquired long-lived assets are placed in service.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Organization files U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

City Partnerships - Nashville enjoys sister city and friendship partnerships with Belfast, Northern Ireland; Caen, France; Crouy, France; Edmonton, Canada; Kamakura, Japan; Magdeburg, Germany; Mendoza, Argentina; Port de la Selva, Spain; Taiyuan, China, Tamworth, Australia, and Chengdu, China. In 2019, the Organization's members were able to enjoy and participate in civic, professional and cultural exchanges to and/or from Belfast, Northern Ireland; Caen, France; Edmonton, Canada; Magdeburg, Germany; Taiyuan, China; Kamakura, Japan; Mendoza, Argentina, Tamworth, Australia, and Chengdu, China.

Student Exchanges - The Student Ambassador program involves area public and private high school students in hosting or traveling abroad to our sister city partners. In 2019, exchanges to and/or from included Caen, France; Mendoza, Argentina; Taiyuan, China; and Tamworth, Australia. Additionally, the organization has a Youth Advisory Board that involves approximately 20 public and private high school students. These students advise the Student Exchange committee; volunteer at Sister Cities events; and actively promote Sister Cities programs and exchanges in their schools.

Nashville Partnerships - The Organization engaged in partnerships during the 2019 fiscal year with a variety of cultural, educational, sports and non-profit organizations and institutions in Nashville area, which included public and private high schools, Vanderbilt University, Belmont University, Tennessee State University, Nashville Public Library, Frist Center for the Visual Arts, Cheekwood Botanical Gardens, Nashville Zoo, Nashville Predators, Metro Parks & Recreation, Metro Police Department, Oasis Center, Girl Scouts of Middle TN, Nashville Convention & Visitors Corp, Tennessee State Museum, and Country Music Hall of Fame.

Supporting Services

Management and General - relates to the overall direction of the Organization. Activities include organization oversight, business management, recordkeeping, financing, and board operations.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services (continued)

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials. These costs include staff time, materials and other related expenses.

During 2019, the Organization presented many opportunities and experiences for Nashvillians that showcased their programs with various sister cities. These events included Celebrate Nashville, Cherry Blossom Walk and Festival, World of Friendship, Belfast-Nashville Songwriter's Showcase, French Fest, Edmonton-Nashville reception during Americana Music Festival, Ramen Showdown fundraiser, and the Sister Cities annual meeting and reception.

Allocation of Functional Expenses

Costs of providing the Organization's student exchange program, coordination with other Sister City agencies and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities benefited. Costs which are not allocated to program services are classified as management and general or fundraising expenses.

The expenses that are allocated include labor, administration, insurance, mileage, professional fees, publicity and international dues and conference. These expenses are allocated on the basis of estimates of time and effort.

Adoption of 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 Organization has adjusted the presentation of these statements accordingly.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effect and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The adoption of ASU 2014-09 is not expected to have a material impact on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is effective for annual periods beginning after December 15, 2019. The adoption of ASU 2018-08 is not expected to have a material impact on the Organization's financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2019 and March 19, 2020, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY

Sister Cities of Nashville's financial assets available to meet general expenditures in the next year consist of a cash balance of \$95,524.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Support from the Metropolitan Government of Nashville and Davidson County, Tennessee comprises 52% of the Organization's revenue and support for the year ended June 30, 2019. A reduction in this level of funding, if this were to occur, could have a significant impact on the Organization's activities.