

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

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CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statement of Assets and Net Assets (Cash Basis).....	3
Statement of Revenues, Expenses and Changes in Net Assets (Cash Basis).....	4
Statement of Functional Expenses (Cash Basis).....	5
Notes to Financial Statements	6 - 10

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, 2021, 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 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, 2021, and its revenues, expenses and changes in net assets 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.

Kraft CPAs PLLC

Nashville, Tennessee
February 24, 2022

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF ASSETS AND NET ASSETS
(CASH BASIS)

JUNE 30, 2021

ASSETS

Cash	\$ 164,797
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NET ASSETS

Net assets without donor restrictions	\$ 164,797
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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, 2021

SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS

Contributions	\$ 72,581
Membership revenues	10,609
Fundraising events	16,868
Government grant	40,000
Miscellaneous income	<u>180</u>

TOTAL SUPPORT AND REVENUE	<u>140,238</u>
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FUNCTIONAL EXPENSES

Program services	71,852
Management and general	13,247
Fundraising	<u>24,480</u>

TOTAL FUNCTIONAL EXPENSES	<u>109,579</u>
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CHANGE IN NET ASSETS	30,659
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NET ASSETS - BEGINNING OF YEAR	<u>134,138</u>
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NET ASSETS - END OF YEAR	<u>\$ 164,797</u>
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See accompanying notes to the financial statements.

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
(CASH BASIS)

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>City Partnerships, Nashville Partnerships and Student Exchanges</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Executive director labor	\$ 46,720	\$ 6,674	\$ 13,349	\$ 66,743
Director of Student Exchange	13,004	-	-	13,004
Hosting of delegation visits	131	-	-	131
Student exchange refund	5,700	-	-	5,700
Administration	437	1,222	87	1,746
Event expenses	-	-	8,837	8,837
Financial transaction fees	-	-	543	543
Insurance	2,804	351	351	3,506
Membership meeting	-	375	-	375
Professional fees	-	3,555	395	3,950
Publicity	-	306	918	1,224
International dues and conference	3,056	764	-	3,820
Totals	<u>\$ 71,852</u>	<u>\$ 13,247</u>	<u>\$ 24,480</u>	<u>\$ 109,579</u>

See accompanying notes to the financial statements.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021.

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.

Support and Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Support and revenue are recognized upon receipt under the cash basis of accounting.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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; Edmonton, Canada; Kamakura, Japan; Magdeburg, Germany; Mendoza, Argentina; Taiyuan, China, Tamworth, Australia, and Chengdu, China. In 2021, the Organization's members were able to enjoy and participate in virtual, as well as a few in-person, civic, professional and cultural exchanges with 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 2021, in-person exchanges were again cancelled due to the Covid-19 pandemic and travel restrictions. However, over 175 students in Nashville participated in virtual language exchanges with students from Mendoza, Argentina; Chengdu, China; and Caen, France; and Sister Cities of Nashville hosted 5 classroom exchanges between classrooms in Nashville and Mendoza, Argentina; Magdeburg, Germany; Edmonton, Canada; and Caen, France. Additionally, the organization has a Youth Advisory Board that involves approximately 15 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 and participate in programming focused on diversity and inclusion.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Program Services (Continued)

Nashville Partnerships - The Organization engaged in partnerships during the 2021 fiscal year with a variety of cultural, educational, sports and non-profit organizations and institutions in the Nashville area, which included public and private high schools, Vanderbilt University, Belmont University, Tennessee State University, Nashville Public Library, Women's Political Collaborative of Tennessee, Tennessee World Affairs Council, Nashville Predators, Oasis Center, Girl Scouts of Middle TN, Nashville Convention & Visitors Corp, Nashville Cherry Blossom Festival, Japan American Society of TN, Nashville Bar Association, Tennessee Bar Association, Nashville Area Hispanic Chamber of Commerce, Nashville Education Community and Arts Television, Nashville Zoo, Nations Ministries, Country Music Hall of Fame and more.

During 2021, the Organization presented many opportunities and experiences for Nashvillians that showcased their programs with various sister cities. These events included Celebrate Nashville Cultural Festival; Virtual Cherry Blossom Walk and Photo Contest; a 5k race held virtually with Belfast, N. Ireland; Virtual Lunch and Learn Programs featuring Kamakura, Japan and Caen, France (including options for continuing legal education credits for Nashville attorneys); Virtual Wine Dinners with Chengdu, China and Mendoza, Argentina, a panel discussion with Mendoza, Argentina filmmaker Tato Moreno, and a movie night featuring Belfast, N. Ireland; cultural-themed happy hours and meetups highlighting Magdeburg, Germany and Edmonton, Canada; virtual educational programming and exchanges with Chengdu and Taiyuan, China; the Sister Cities International youth forum, and annual meeting and reception; and many, many presentations to community groups and professional organizations.

Supporting Services

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

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.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, mileage, professional fees, publicity and international dues and conference. These expenses are allocated on the basis of estimates of time and effort.

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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2021 and February 24, 2022, 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 \$164,797.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Support from the Metropolitan Government of Nashville and Davidson County, Tennessee comprises 27% of the Organization's revenue and support for the year ended June 30, 2021. A reduction in this level of funding, if this were to occur, could have a significant impact on the Organization's activities.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 5 - PAYCHECK PROTECTION PROGRAM GRANT

On April 19, 2020, the Organization was the recipient of a \$12,917 loan under the Paycheck Protection Program (“PPP”). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds were available in the form of a loan which was fully forgivable if at least 60% of the funds are used for payroll costs and other conditions are met. Any unforgiven funds would convert to a note with a 1.0% interest rate and payable over 24 months. Due to the Organization’s cash basis of accounting, the full amount of the loan was recognized and included as revenue as of June 30, 2020. On April 23, 2021 the Organization received forgiveness approval for the full amount of the PPP loan.

NOTE 6 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Organization operates. The Organization has experienced loss of revenues for student exchange fees, fundraising, and membership dues. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the Organization’s leadership team continues to evaluate the evolving situation and will take appropriate countermeasures, as needed.