

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015

SISTER CITIES OF NASHVILLE, INC.

NASHVILLE, TENNESSEE

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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 arising from cash transactions as of June 30, 2015, and the related statements of revenues, expenses and changes in net assets and functional expenses 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 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 arising from cash transactions of Sister Cities of Nashville, Inc. as of June 30, 2015, and its revenues, expenses and changes in net assets and functional expenses for the year then ended, on the basis of accounting described in Note 2.

BASIS OF ACCOUNTING

As described in Note 2, these financial statements were 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
December 31, 2015

SISTER CITIES OF NASHVILLE, INC.

STATEMENT OF ASSETS AND NET ASSETS
(CASH BASIS)

JUNE 30, 2015

ASSETS

Cash	\$ <u>30,087</u>
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NET ASSETS

Net assets - unrestricted	\$ <u>30,087</u>
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The accompanying notes are an integral part of 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, 2015

SUPPORT AND REVENUE	
Contributions	\$ 16,753
Membership revenues	10,220
Fundraising events	28,261
Government grant	55,000
Student exchange fees	<u>25,851</u>
 TOTAL SUPPORT AND REVENUE	 <u>136,085</u>
 FUNCTIONAL EXPENSES	
Program services	96,709
Management and general	15,329
Fundraising	<u>15,121</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>127,159</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 8,926
 NET ASSETS - BEGINNING OF YEAR	 <u>21,161</u>
 NET ASSETS - END OF YEAR	 <u>\$ 30,087</u>

The accompanying notes are an integral part of the financial statements.

SISTER CITIES OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(CASH BASIS)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>		
	City Partnerships and Student Exchanges	Management and General	Fundraising	Total
Contract labor	\$ 46,400	\$ 5,800	\$ 5,800	\$ 58,000
Executive director international travel	4,914	-	-	4,914
Hosting of delegation visits	6,642	-	-	6,642
Student exchange scholarships and travel costs	28,535	-	-	28,535
Administration	1,651	4,622	330	6,603
Celebration of Cultures	150	-	-	150
Event expenses	-	-	7,224	7,224
Financial transaction fees	-	-	228	228
Insurance	1,824	228	228	2,280
Licenses and permits	-	-	160	160
Membership meeting	-	1,319	-	1,319
Mileage	1,538	85	85	1,708
Professional fees	-	2,565	285	2,850
Publicity	-	260	781	1,041
Sister Cities Donations	3,255	-	-	3,255
Sister Cities International dues and conference	1,800	450	-	2,250
Totals	<u>\$ 96,709</u>	<u>\$ 15,329</u>	<u>\$ 15,121</u>	<u>\$ 127,159</u>

The accompanying notes are an integral part of the financial statements.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts that the principal be invested and the income or specific portions thereof be used for operations.

The Organization had no temporarily or permanently restricted net assets as of June 30, 2015.

SISTER CITIES OF NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions 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.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Revenues, Expenses and Changes in Net Assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. The Organization has not received any restricted 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-EZ 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 (CONTINUED)

JUNE 30, 2015

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; Gwangjin-gu, Seoul, South Korea; Kamakura, Japan; Magdeburg, Germany; Mendoza, Argentina; Port de la Selva, Spain; Taiyuan, China and Tamworth, Australia. In 2015, 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 and Tamworth, Australia.

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 2015, exchanges to and/or from included Caen, France; Magdeburg, Germany; Mendoza, Argentina; Taiyuan, China; and Tamworth, Australia. Additionally, the organization has a Youth Advisory Board that involves approximately 30 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 2015 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, Martha O'Bryan Center, Second Harvest Food Bank, 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 (CONTINUED)

JUNE 30, 2015

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 2015, the Organization presented many opportunities and experiences for Nashvillians that showcased their programs with various sister cities. These events included Celebrate Nashville, Music City Irish Fest, Cherry Blossom Walk and Festival, Oktoberfest, World of Friendship, Belfast-Nashville Songwriter's Showcase, author readings at Barnes & Noble, Sounds Australia and Sister Cities concert during Americana Music Festival, Sister Cities' C.M.A. party, 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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2015 and December 31, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Support from the Metropolitan Government of Nashville and Davidson County, Tennessee comprises 40% of the Organization's revenue and support for the year ended June 30, 2015. A reduction in this level of funding, if this were to occur, could have a significant impact on the Organization's activities.