

CONSOLIDATED FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

**SISTER CITIES INTERNATIONAL
SISTER CITIES INTERNATIONAL FOUNDATION**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sister Cities International
Sister Cities International Foundation
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of Sister Cities International and Sister Cities International Foundation (collectively, Sister Cities), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sister Cities as of December 31, 2024 and 2023, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Sister Cities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sister Cities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sister Cities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sister Cities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



August 18, 2025

**SISTER CITIES INTERNATIONAL
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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 160,718	\$ 54,964
Investments	914,405	928,548
Accounts receivable, net	12,657	43,750
Contributions and other receivables	26,300	48,050
Prepaid expenses	<u>165,361</u>	<u>17,870</u>
Total current assets	<u>1,279,441</u>	<u>1,093,182</u>
FIXED ASSETS		
Furniture, equipment and software	192,900	192,900
Less: Accumulated depreciation and amortization	<u>(182,943)</u>	<u>(180,098)</u>
Fixed assets, net	<u>9,957</u>	<u>12,802</u>
NONCURRENT ASSETS		
Security deposits	11,956	11,956
Operating right-of-use asset, net	<u>99,107</u>	<u>168,727</u>
Total noncurrent assets	<u>111,063</u>	<u>180,683</u>
TOTAL ASSETS	<u>\$ 1,400,461</u>	<u>\$ 1,286,667</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 61,914	\$ 50,815
Line of credit	422,283	466,130
Refundable advances	98,534	-
Deferred membership dues	141,520	100,510
Deferred event revenue	29,940	56,375
Operating lease liability	<u>78,913</u>	<u>70,265</u>
Total current liabilities	<u>833,104</u>	<u>744,095</u>
NONCURRENT LIABILITIES		
Operating lease liability, net	<u>33,789</u>	<u>112,702</u>
Total liabilities	<u>866,893</u>	<u>856,797</u>
NET ASSETS		
Without donor restrictions	<u>533,568</u>	<u>429,870</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,400,461</u>	<u>\$ 1,286,667</u>

See accompanying notes to consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>Without Donor Restrictions</u>	
	<u>2024</u>	<u>2023</u>
SUPPORT AND REVENUE		
U.S. Government awards	\$ 698,029	\$ 341,962
Contributions and grants	142,247	124,353
Contributed nonfinancial assets	7,020	15,000
Conferences and events	612,535	263,188
Membership dues	361,195	319,595
Net investment return	62,024	87,725
Other	<u>444</u>	<u>12,007</u>
Total support and revenue	<u>1,883,494</u>	<u>1,163,830</u>
EXPENSES		
Program Services	<u>1,171,767</u>	<u>692,443</u>
Supporting Services:		
Management and General	494,719	534,038
Fundraising and Development	<u>113,310</u>	<u>46,279</u>
Total supporting services	<u>608,029</u>	<u>580,317</u>
Total expenses	<u>1,779,796</u>	<u>1,272,760</u>
Changes in net assets	103,698	(108,930)
Net assets at beginning of year	<u>429,870</u>	<u>538,800</u>
NET ASSETS AT END OF YEAR	<u>\$ 533,568</u>	<u>\$ 429,870</u>

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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total Supporting Services</u>	
Salaries, taxes and benefits	\$ 307,893	\$ 106,004	\$ 77,182	\$ 183,186	\$ 491,079
Professional fees	28,774	66,973	6,549	73,522	102,296
Office supplies and expense	-	16,535	-	16,535	16,535
Communications	-	10,608	-	10,608	10,608
Telecommunications	1,478	424	377	801	2,279
Postage and shipping	-	7,097	73	7,170	7,170
Lease expense	47,176	21,442	12,033	33,475	80,651
Printing and publications	4,410	5,713	-	5,713	10,123
Travel	84	29,272	-	29,272	29,356
Conferences and meetings	654,085	105,994	7,758	113,752	767,837
Advertising	307	3,794	-	3,794	4,101
Insurance	-	12,607	-	12,607	12,607
Interns	-	4,100	-	4,100	4,100
Computer and website	37,890	11,922	8,623	20,545	58,435
Bank fees	14,087	7,069	715	7,784	21,871
Interest expense	-	41,438	-	41,438	41,438
Other expenses	-	1,762	-	1,762	1,762
Donated services	-	7,020	-	7,020	7,020
Grants and contracts	12,800	-	-	-	12,800
Credit loss expense	62,783	32,100	-	32,100	94,883
Depreciation and amortization	-	2,845	-	2,845	2,845
TOTAL	<u>\$ 1,171,767</u>	<u>\$ 494,719</u>	<u>\$ 113,310</u>	<u>\$ 608,029</u>	<u>\$ 1,779,796</u>

**SISTER CITIES INTERNATIONAL
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Salaries, taxes and benefits	\$ 253,059	\$ 188,490	\$ 38,044	\$ 226,534	\$ 479,593
Professional fees	-	75,466	-	75,466	75,466
Office supplies and expense	-	5,734	-	5,734	5,734
Telecommunications	2,992	2,006	454	2,460	5,452
Postage and shipping	-	2,522	-	2,522	2,522
Lease expense	23,185	49,495	6,035	55,530	78,715
Printing and publications	-	4,725	-	4,725	4,725
Travel	-	8,832	-	8,832	8,832
Conferences and meetings	344,260	28,024	-	28,024	372,284
Other program services	4,500	19,837	-	19,837	24,337
Insurance	-	10,469	-	10,469	10,469
Interns	-	1,500	-	1,500	1,500
Computer and website	25,534	18,276	1,661	19,937	45,471
Bank fees	8,363	7,884	85	7,969	16,332
Interest expense	-	34,363	-	34,363	34,363
Other expenses	-	11,790	-	11,790	11,790
Donated airfare	15,000	-	-	-	15,000
Grants and contracts	15,550	-	-	-	15,550
Credit loss expense	-	61,780	-	61,780	61,780
Depreciation and amortization	-	2,845	-	2,845	2,845
TOTAL	\$ 692,443	\$ 534,038	\$ 46,279	\$ 580,317	\$ 1,272,760

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 103,698	\$ (108,930)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,845	2,845
Realized and unrealized gains on investments	(18,944)	(64,335)
Change in allowance for credit losses	(23,157)	23,750
Amortization of right-of-use asset	69,620	69,372
Decrease (increase) in:		
Accounts receivable	54,250	30,300
Contributions and other receivables	21,750	(24,993)
Prepaid expenses	(147,491)	39,981
Increase (decrease) in:		
Accounts payable and accrued expenses	11,099	12,028
Refundable advances	98,534	-
Deferred revenue:		
Membership dues	41,010	(3,145)
Event revenue	(26,435)	(24,994)
Lease liability	<u>(70,265)</u>	<u>(68,289)</u>
Net cash provided (used) by operating activities	<u>116,514</u>	<u>(116,410)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(104,233)	(905,367)
Proceeds from sales of investments	<u>137,320</u>	<u>885,565</u>
Net cash provided (used) by investing activities	<u>33,087</u>	<u>(19,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on lines of credit	(43,847)	-
Proceeds from line of credit	<u>-</u>	<u>98,006</u>
Net cash (used) provided by financing activities	<u>(43,847)</u>	<u>98,006</u>
Net increase (decrease) in cash and cash equivalents	105,754	(38,206)
Cash and cash equivalents at beginning of year	<u>54,964</u>	<u>93,170</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 160,718</u>	<u>\$ 54,964</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 41,438</u>	<u>\$ 34,363</u>

See accompanying notes to consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Sister Cities International (Sister Cities) is a non-profit organization incorporated under the laws of the District of Columbia on June 12, 1967. Sister Cities was formed to promote local community development and volunteer action to provide opportunities for citizens of different countries to share culture, develop trade relationships and provide an atmosphere for learning and problem solving between nations.

Sister Cities International Foundation (the Foundation) is a non-profit organization incorporated under the laws of the District of Columbia on June 6, 2018, and was formed to support the charitable purposes of Sister Cities International. Sister Cities International is the sole corporate member of the Foundation. The Foundation started operations during 2019, and while included in the consolidated financial statements, the Foundation's financial activity is immaterial for the years ended December 31, 2024 and 2023.

Principles of consolidation -

The accounts of Sister Cities International have been consolidated with the Foundation (collectively, Sister Cities) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions as of December 31, 2024 and 2023.

Cash and cash equivalents -

Sister Cities considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents, including money market funds held by investment managers in the amounts of \$10,888 and \$3,735 for the years ended December 31, 2024 and 2023, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Sister Cities maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. Sister Cities' policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable, net -

Accounts receivable primarily consists of amounts due within one year related to membership dues. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs.

Contributions receivable -

Contributions receivable include unconditional promises to give that are expected to be collected within one year. Management has deemed all amounts are fully collectable and accordingly, an allowance for doubtful accounts is not deemed necessary.

Furniture and equipment -

Furniture and equipment with an acquisition value in excess of \$5,000 are capitalized and recorded at cost, and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

Sister Cities and the Foundation are exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Sister Cities and the Foundation are not private foundations.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue from contracts with customers -

Sister Cities' membership dues, conference and event registrations are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606 (referred to as revenue from contracts with customers). Revenue from contracts with customers is recorded when the performance obligations are met. Sister Cities has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. Sister Cities contracts with customers generally have initial terms of one year or less.

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations such as discounted rates to conferences and meetings; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

Revenue from conference and event registration, including sponsorship revenue, is recognized when the related event has occurred.

Support from contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. Sister Cities performs an analysis of the individual contribution and grant agreements to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. Sister Cities' refundable advances totaled \$98,534 and \$0 as of December 31, 2024 and 2023, respectively.

In addition, Sister Cities may obtain funding source agreements related to conditional contributions, which will be received in future years. Sister Cities had conditional contributions to be received in future years totaling approximately \$1,127,000 and \$240,000 as of December 31, 2024 and 2023, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of donated museum access and services, which was valued by the airline based on the maximum dollar amount of tickets donated. None of the contributed nonfinancial assets were restricted by donors and none of the donated airfare was monetized through sale.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Sister Cities are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investment risks and uncertainties -

Sister Cities invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Sister Cities has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Sister Cities has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2024 and 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Sister Cities are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Sister Cities are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks	\$ 618,378	\$ -	\$ -	\$ 618,378
Mutual funds	296,027	-	-	296,027
TOTAL INVESTMENTS	\$ 914,405	\$ -	\$ -	\$ 914,405

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks	\$ 591,095	\$ -	\$ -	\$ 591,095
Mutual funds	337,453	-	-	337,453
TOTAL INVESTMENTS	\$ 928,548	\$ -	\$ -	\$ 928,548

Net investment return consisted of the following for the years ended December 31, 2024 and 2023:

	2024	2023
Interest and dividends	\$ 52,455	\$ 32,143
Realized and unrealized gain	18,944	64,335
Investment fees	(9,375)	(8,753)
NET INVESTMENT RETURN	\$ 62,024	\$ 87,725

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

3. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets consisted of the following revenue streams as of:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Membership dues	\$ 15,250	\$ 69,500	\$ 99,800
Allowance for credit loss	<u>(2,593)</u>	<u>(25,750)</u>	<u>(2,000)</u>
TOTAL CONTRACT ASSETS	<u>\$ 12,657</u>	<u>\$ 43,750</u>	<u>\$ 97,800</u>

The allowance for credit losses consisted of the following as of and for the years ended December 31, 2024 and 2023:

Allowance for credit losses, January 1, 2023	\$ 2,000
Additions (charges to expenses)	61,780
Deductions (write-offs, net of recoveries)	<u>(38,030)</u>
Allowance for credit losses, December 31, 2023	25,750
Additions (charges to expenses)	94,883
Deductions (write-offs, net of recoveries)	<u>(118,040)</u>
ALLOWANCE FOR CREDIT LOSSES, DECEMBER 31, 2024	<u>\$ 2,593</u>

Contract liabilities consisted of the following revenue streams as of:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Membership dues	\$ 141,520	\$ 100,510	\$ 103,655
Conferences and events	<u>29,940</u>	<u>56,375</u>	<u>81,369</u>
TOTAL CONTRACT LIABILITIES	<u>\$ 171,460</u>	<u>\$ 156,885</u>	<u>\$ 185,024</u>

4. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2024 and 2023, Sister Cities was the beneficiary of donated goods which allowed Sister Cities to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Donated museum access and services	\$ 7,020	\$ -
Donated airfare	<u>-</u>	<u>15,000</u>
TOTAL DONATIONS	<u>\$ 7,020</u>	<u>\$ 15,000</u>

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4. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories (also describe the natural expense category where they are recorded) for the years ended December 31, 2024 and 2023:

	2024	2023
Program services	\$ -	\$ 15,000
Management and general	7,020	-
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$ 7,020	\$ 15,000

5. LINE OF CREDIT

During 2015, Sister Cities established a line of credit with a local financial institution in an amount that is contingent upon eligible securities, cash and other instruments the borrower maintains within the financial institution that is pledged, and automatically renews on an annual basis. Outstanding borrowings on the line of credit bear interest at the bank's applicable rate (7.510% and 8.52% at December 31, 2024 and 2023, respectively).

Outstanding borrowings on the line of credit aggregated \$422,283 and \$466,130 as of December 31, 2024 and 2023, respectively.

6. BOARD DESIGNATED NET ASSETS

The Board of Directors have designated net assets in the name of Lou Wozar totaling \$271,430 and \$267,322 as of December 31, 2024 and 2023, respectively. Additionally, a reserve fund was established and held a balance of \$28 as of both December 31, 2024 and 2023, respectively. The designated net assets are included in Cash (Note 1), Investments and Net assets Without Donor Restrictions on the accompanying Consolidated Statements of Financial Position.

7. RETIREMENT PLAN

Sister Cities offers its employees retirement benefits through a 403(b) plan. The Plan covers all employees who have attained the age of 18 and have been employed for a minimum of six months. Sister Cities currently contributes 5% of each eligible employee's gross salary to the Plan. Retirement expenses during the years ended December 31, 2024 and 2023 totaled \$5,667 and \$6,705 respectively, and are included in salaries, taxes and related benefits in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

8. COMMITMENT

Sister Cities follows FASB ASC 842 for leases. Sister Cities has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. Sister Cities has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Sister Cities entered into a lease agreement that commenced January 1, 2021, for a period of five years and five months. Base rent under the new lease agreement is \$71,740 per year with a 2.5% annual escalation and Sister Cities will receive five free months of rent within the first four lease years.

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8. COMMITMENT (Continued)

Sister Cities recorded the operating lease liability by calculating the present value using the discount rate of .36%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. The following is a schedule of future minimum payments required under the new lease agreement as of December 31, 2024:

Year Ending December 31,

		\$	
2025			79,188
2026			33,820
Less: Imputed interest			<u>(306)</u>
			112,702
Less: Current portion			<u>(78,913)</u>
LONG-TERM PORTION		\$	<u>33,789</u>

Lease expense, including real estate taxes, storage fees, and other operating expenses, totaled \$80,651 and \$78,715 during the years ended December 31, 2024 and 2023, respectively. Total cash paid for the lease was \$70,819 and \$69,091, for the years ended December 31, 2024 and 2023, respectively.

9. CONTINGENCY

Sister Cities receives grants from the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The ultimate determination of amounts received under the Federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Sister Cities expenditures did not meet the threshold to require an audit in accordance with Subpart F of the Uniform Guidance for the years ended December 31, 2024 and 2023.

10. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position date comprise the following:

	<u>2024</u>		<u>2023</u>
Cash and cash equivalents	\$ 160,718	\$	54,964
Investments	914,405		928,548
Accounts receivable, net	<u>12,657</u>		<u>43,750</u>
Subtotal financial assets available within one year	1,087,780		1,027,262
Less: Board designated net assets	<u>(271,458)</u>		<u>(267,350)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 816,322</u>	\$	<u>759,912</u>

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10. LIQUIDITY AND AVAILABILITY (Continued)

Sister Cities has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, Sister Cities has a line of credit agreement (as further discussed in Note 5) which allows for additional available borrowings.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Sister Cities has evaluated events and transactions for potential recognition or disclosure through August 18, 2025, the date the consolidated financial statements were issued.

In March 2025, Sister Cities received a stop-work order applicable to its United States Government funded Core program. Sister Cities is currently assessing the financial and operational impact of this event. Management does not anticipate any immediate effects on other programs or funding sources, however there is inherent uncertainty regarding the long-term implications of the stop-work order. These financial statements do not reflect any adjustments related to this subsequent event.