

# The Tomball Sister City Organization

Independent Accountants' Review Report and  
Financial Statements for the Year Ended September 30, 2022



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## Independent Accountants' Review Report

To the Board of Directors of  
The Tomball Sister City Organization  
Houston, Texas

We have reviewed the accompanying financial statements of The Tomball Sister City Organization (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

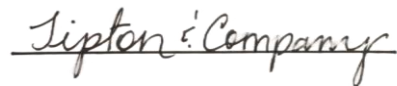
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Tipton & Company  
Certified Public Accountants  
Houston, Texas

November 29, 2022

# The Tomball Sister City Organization

## Statement of Financial Position

***As of September 30, 2022***

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**Assets**

Cash and cash equivalents	\$	255,692
Property and equipment, net		4,849

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<b>Total Assets</b>	<b>\$</b>	<b>260,541</b>
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**Liabilities and Net Assets****Liabilities**

Deferred revenue	48,252
Accrued expenses	16,097

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<b>Total Liabilities</b>	<b>64,349</b>
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**Net Assets**

Without donor restriction	196,192
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<b>Total Net Assets</b>	<b>196,192</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>260,541</b>
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# The Tomball Sister City Organization

## Statement of Activities

<b><i>Year ended September 30, 2022</i></b>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Public Support			
Tomball German Heritage Festival grant	\$ 80,000	\$ -	\$ 80,000
Tomball German Christmas Market grant	80,000	-	80,000
Revenue			
Tomball German Heritage Festival sponsorship and fees	173,510	-	173,510
Tomball German Christmas Market sponsorship and fees	137,555	-	137,555
Other income	190	-	190
<b>Total Public Support and Revenues</b>	<b>471,255</b>	<b>-</b>	<b>471,255</b>
<b>Expenses</b>			
Program Activities			
Tomball German Christmas Market	188,635	-	188,635
Tomball German Heritage Festival	190,584	-	190,584
<b>Total Program Activities</b>	<b>379,219</b>	<b>-</b>	<b>379,219</b>
Supporting Activities			
Management and general	52,087	-	52,087
Fundraising	37,990	-	37,990
<b>Total Supporting Activities</b>	<b>90,077</b>	<b>-</b>	<b>90,077</b>
<b>Total Expenses</b>	<b>469,296</b>	<b>-</b>	<b>469,296</b>
<b>Change in Net Assets</b>	<b>1,959</b>	<b>-</b>	<b>1,959</b>
Net Assets, Beginning of Year	194,233	-	194,233
<b>Net Assets, End of Year</b>	<b>\$ 196,192</b>	<b>\$ -</b>	<b>\$ 196,192</b>

# The Tomball Sister City Organization

## Statement of Functional Expenses

	Program Activities			Supporting Activities			Total
	Tomball German Heritage Festival	Tomball German Christmas Market	Total Program Activities	Management & General	Fundraising	Total Supporting Activities	
<b>Year ended September 30, 2022</b>							
<b>Salaries and related expenses</b>							
Salaries and wages	\$ 12,325	\$ 12,325	\$ 24,650	\$ 14,790	\$ 9,860	\$ 24,650	\$ 49,300
Payroll taxes	943	943	1,886	1,131	754	1,885	3,771
Employee benefits	59	59	118	71	48	119	237
<b>Total salaries and related expenses</b>	<b>13,327</b>	<b>13,327</b>	<b>26,654</b>	<b>15,992</b>	<b>10,662</b>	<b>26,654</b>	<b>53,308</b>
<b>Other Expenses</b>							
Advertising	13,668	12,875	26,543	-	26,543	26,543	53,086
Auto	-	-	-	2,253	-	2,253	2,253
Depreciation	-	-	-	1,126	-	1,126	1,126
Distributors	84,589	94,973	179,562	-	-	-	179,562
Donations	-	-	-	1,000	-	1,000	1,000
Dues	-	-	-	5,104	-	5,104	5,104
Equipment rental	13,720	-	13,720	-	-	-	13,720
Exchange students	4,184	4,184	8,368	-	-	-	8,368
Hospitality	1,604	3,308	4,912	-	-	-	4,912
Insurance	1,260	-	1,260	6,828	-	6,828	8,088
Maintenance	-	-	-	750	-	750	750
Miscellaneous	1,441	2,579	4,020	2,932	-	2,932	6,952
Postage	-	-	-	256	-	256	256
Security	1,070	2,360	3,430	-	-	-	3,430
Service fees	465	465	930	752	372	1,124	2,054
Storage	-	-	-	2,036	-	2,036	2,036
Taxes	516	516	1,032	619	413	1,032	2,064
Travel and entertainment	54,240	54,048	108,288	3,350	-	3,350	111,638
Utilities	-	-	-	5,619	-	5,619	5,619
Volunteers	500	-	500	-	-	-	500
Website	-	-	-	3,470	-	3,470	3,470
<b>Total Other Expenses</b>	<b>177,257</b>	<b>175,308</b>	<b>352,565</b>	<b>36,095</b>	<b>27,328</b>	<b>63,423</b>	<b>415,988</b>
<b>Total Expenses</b>	<b>\$ 190,584</b>	<b>\$ 188,635</b>	<b>\$ 379,219</b>	<b>\$ 52,087</b>	<b>\$ 37,990</b>	<b>\$ 90,077</b>	<b>\$ 469,296</b>

See accompanying notes and independent accountants' review report.

# The Tomball Sister City Organization

## Statement of Cash Flows

***Year ended September 30, 2022***

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### **Cash Flows from Operating Activities**

Change in Net Assets	\$	1,959
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Adjustments to reconcile change in net assets to  
net cash from operating activities:

Depreciation expense		1,126
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Change in operating assets and liabilities:

Deferred revenue		14,336
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Accrued expenses		2,041
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Total Adjustments		17,503
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Net Change from Operating Activities		19,462
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Cash and Cash Equivalents, beginning of year		236,230
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<b>Cash and Cash Equivalents, end of year</b>	<b>\$</b>	<b>255,692</b>
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# The Tomball Sister City Organization

## Notes to Financial Statements

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### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** – The Tomball Sister City Organization, (the Organization), is a nonprofit corporation founded in 2003 under the laws of the State of Texas for the purpose of the establishment, sponsorship, promotion and support of cultural, business, educational, diplomatic and other exchanges with Tomball's sister city – Telgte, Germany.

To this end the corporation endeavors to promote and heighten public interest in and appreciation of the culture, business, education, products, people or language of sister cities of the City of Tomball, Texas, and to develop programs and provide activities that highlight such culture, business, education, products, people or language, and to assist its members in the development of such programs and the provisions of such activities.

The following programs and services are supported by The Tomball Sister City Organization:

- *Tomball German Christmas Market* – traditionally holds in Tomball on the second weekend in December and includes live music and an open-air market. During this event, street vendors line Market and S. Walnut Streets, selling German Christmas items, arts and crafts, and much more. The event is sponsored by the City of Tomball, Tomball Sister City Organization, and German Heritage Festival.
- *Tomball German Heritage Festival* – traditionally holds in Tomball during the last weekend in March. It is a Music/Street festival celebrating German and ethnic heritage with four stages of live music entertainment, ethnic and festival food, beer, wine, street vendors, all kinds of German souvenirs and clothing, arts crafts, antiques, Heritage Center, German church service, fireworks, carnival, pony ride, petting zoo, strolling music makers, street performers, and much more.

**Basis of Accounting** – The financial statements of The Tomball Sister City Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** – The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

*Net assets with donor restrictions* are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Donor-imposed restrictions are released when a 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. Donor-restricted endowment earnings are released when those earnings are appropriated with spending policies and are used for the specified purpose.

**Cash and Cash Equivalents** – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values



# The Tomball Sister City Organization

## Notes to Financial Statements

of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

**Property and Equipment** – Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computers	2 years
Trailers	5 - 15 years

Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

**Grants** – Grants are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition.

**Donated Assets** – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

**Donated Property and Equipment** – Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

**Donated Services** – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-26.

**Deferred Revenue** – fees charged to vendors participating in the Christmas Market which are received prior to a fiscal year-end but which relate to the following fiscal year are deferred and recognized as revenue in that following fiscal year, once Christmas Market is held.

**Revenue Recognition** – Revenue is recognized when earned. Heritage Festival and Christmas Market sponsorship and fees revenue are deferred to the applicable period in which the related event is held.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

# The Tomball Sister City Organization

## Notes to Financial Statements

**Functional Allocation of Expense** – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates these expenses based on time and effort. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification.

**Income Taxes** – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Advertising** – Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2022 was \$53,086.

### NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2022, comprise the following:

Financial assets available to meet cash needs for general expenditures within one year:	
Cash	\$247,440

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization is primarily funded by grants and festival. The Organization has a goal to maintain financial assets on hand to meet two festivals’ operating expenses, which are, on average, approximately \$100,000. The majority of the funds needed to meet the festival operating expenses is maintained in a savings account with Amegy Bank.

### NOTE 3 – CONCENTRATIONS

The Organization maintains cash balances at one financial institution located in Texas. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2022, the Organization had no uninsured balances.

The Organization had one grantor that accounted for thirty-four percent (34%) of total public support and revenue for the year ended September 30, 2022.

# The Tomball Sister City Organization

## Notes to Financial Statements

The Organization also conducts its operations solely in the Tomball area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in grants.

### NOTE 4 – PROPERTY AND EQUIPMENT

As of September 30, 2022, property and equipment consist of the following:

Computer	\$3,357
Trailer	8,248
Subtotal property and equipment	11,605
Less: accumulated depreciation	(6,756)
Total property and equipment, net	\$4,849

Depreciation expense for the year ended September 30, 2022 was \$1,126.

### NOTE 5 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 29, 2022, the date the financial statements were available to be issued. Management has not identified any subsequent events that would require an adjustment to the financial statements or disclosures as required by GAAP.