

# **The Tomball Sister City Organization**

Independent Accountants' Review Report and  
Financial Statements for the Fiscal Year Ended September 30, 2023  
*(with comparative totals for 2022)*



**Tipton & Company**

*CERTIFIED PUBLIC ACCOUNTANTS*

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
The Tomball Sister City Organization  
Tomball, 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, 2023, 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### 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.

### Report on Summarized Comparative Information

We have previously reviewed The Tomball Sister City Organization's 2022 financial statements dated November 29, 2022. The summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Tipton & Company LLC*

Tipton & Company  
Certified Public Accountants  
Houston, Texas

May 23, 2024

# The Tomball Sister City Organization

## Statement of Financial Position

| <b><i>As of September 30, (with comparative totals for 2022)</i></b> | <b>2023</b>       | <b>2022</b>       |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| Cash and cash equivalents  | \$ 215,218        | \$ 255,692        |
| Property and equipment, net  | 3,723             | 4,849             |
| <b>Total Assets</b>  | <b>\$ 218,941</b> | <b>\$ 260,541</b> |
| <b>Liabilities and Net Assets</b>                                    |                   |                   |
| Liabilities  |                   |                   |
| Deferred revenue   | \$ 40,125         | \$ 48,252         |
| Accrued expenses   | 10,754            | 16,097            |
| <b>Total Liabilities</b>   | <b>50,879</b>     | <b>64,349</b>     |
| Net Assets   |                   |                   |
| Without donor restriction  | 168,062           | 196,192           |
| <b>Total Net Assets</b>  | <b>168,062</b>    | <b>196,192</b>    |
| <b>Total Liabilities and Net Assets</b>                              | <b>\$ 218,941</b> | <b>\$ 260,541</b> |

# The Tomball Sister City Organization

## Statement of Activities

| <i>Year ended September 30,<br/>(with comparative totals for 2022)</i> | <b>2023</b>       | 2022       |
|--|-------------------|------------|
|  | <b>Total</b>      | Total      |
| <b>Without Donor Restrictions</b>                                      |                   |            |
| <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                  | 183,202           | 173,510    |
| Tomball German Christmas Market sponsorship and fees                   | 161,058           | 137,555    |
| Other income   | 268               | 190        |
| Total Public Support and Revenues                                      | <b>504,528</b>    | 471,255    |
| <b>Expenses</b>  |                   |            |
| Program Activities   |                   |            |
| Tomball German Heritage Festival                                       | 211,373           | 190,584    |
| Tomball German Christmas Market  | 212,337           | 188,635    |
| Total Program Activities   | <b>423,710</b>    | 379,219    |
| Supporting Activities  |                   |            |
| Management and general   | 61,065            | 52,087     |
| Fundraising  | 47,883            | 37,990     |
| Total Supporting Activities  | <b>108,948</b>    | 90,077     |
| Total Expenses   | <b>532,658</b>    | 469,296    |
| <b>Change in Net Assets</b>  | <b>(28,130)</b>   | 1,959      |
| Net Assets, Beginning of Year  | 196,192           | 194,233    |
| <b>Net Assets, End of Year</b>   | <b>\$ 168,062</b> | \$ 196,192 |

**The Tomball Sister City Organization**  
Statement of Functional Expenses

| <b>Year ended September 30,</b><br><i>(with comparative totals for 2022)</i> | Program Activities                  |                                       |                                | Supporting Activities   |                  |                                   | <b>2023</b><br><b>Total</b> | 2022<br>Total     |
|--|-------------------------------------|---------------------------------------|--------------------------------|-------------------------|------------------|-----------------------------------|-----------------------------|-------------------|
|  | Tomball German<br>Heritage Festival | Tomball German<br>Christmas<br>Market | Total<br>Program<br>Activities | Management<br>& General | Fundraising      | Total<br>Supporting<br>Activities |                             |                   |
|  |                                     |                                       |                                |                         |                  |                                   |                             |                   |
| <b>Salaries and related expenses</b>   |                                     |                                       |                                |                         |                  |                                   |                             |                   |
| Salaries and wages   | \$ 12,471                           | \$ 12,471                             | \$ 24,942                      | \$ 14,965               | \$ 9,977         | \$ 24,942                         | \$ <b>49,884</b>            | \$ 49,300         |
| Payroll taxes  | 992                                 | 992                                   | 1,984                          | 1,190                   | 793              | 1,983                             | <b>3,967</b>                | 3,771             |
| Employee benefits  | 58                                  | 58                                    | 116                            | 69                      | 46               | 115                               | <b>231</b>                  | 237               |
| <b>Total salaries and related expenses</b>                                   | <b>13,521</b>                       | <b>13,521</b>                         | <b>27,042</b>                  | <b>16,224</b>           | <b>10,816</b>    | <b>27,040</b>                     | <b>54,082</b>               | <b>53,308</b>     |
| <b>Other Expenses</b>  |                                     |                                       |                                |                         |                  |                                   |                             |                   |
| Advertising  | 19,144                              | 17,461                                | 36,605                         | -                       | 36,605           | 36,605                            | <b>73,210</b>               | 53,086            |
| Auto   | -                                   | -                                     | -                              | 1,454                   | -                | 1,454                             | <b>1,454</b>                | 2,253             |
| Depreciation   | -                                   | -                                     | -                              | 1,126                   | -                | 1,126                             | <b>1,126</b>                | 1,126             |
| Distributors   | 93,588                              | 105,903                               | 199,491                        | -                       | -                | -                                 | <b>199,491</b>              | 179,562           |
| Donations  | -                                   | -                                     | -                              | 3,861                   | -                | 3,861                             | <b>3,861</b>                | 1,000             |
| Dues   | -                                   | -                                     | -                              | 5,257                   | -                | 5,257                             | <b>5,257</b>                | 5,104             |
| Equipment rental   | -                                   | -                                     | -                              | -                       | -                | -                                 | -                           | 13,720            |
| Exchange students  | 3,859                               | 3,859                                 | 7,718                          | -                       | -                | -                                 | <b>7,718</b>                | 8,368             |
| Hospitality  | 934                                 | 2,252                                 | 3,186                          | -                       | -                | -                                 | <b>3,186</b>                | 4,912             |
| Insurance  | -                                   | -                                     | -                              | 7,670                   | -                | 7,670                             | <b>7,670</b>                | 8,088             |
| Maintenance  | -                                   | -                                     | -                              | 2,023                   | -                | 2,023                             | <b>2,023</b>                | 750               |
| Miscellaneous  | -                                   | 265                                   | 265                            | 3,030                   | -                | 3,030                             | <b>3,295</b>                | 2,932             |
| Postage  | -                                   | -                                     | -                              | 235                     | -                | 235                               | <b>235</b>                  | 256               |
| Professional fees  | -                                   | -                                     | -                              | 5,000                   | -                | 5,000                             | <b>5,000</b>                | -                 |
| Security   | 3,580                               | 3,420                                 | 7,000                          | -                       | -                | -                                 | <b>7,000</b>                | 3,430             |
| Service fees   | 478                                 | 478                                   | 956                            | 884                     | 382              | 1,266                             | <b>2,222</b>                | 2,054             |
| Storage  | -                                   | -                                     | -                              | 1,246                   | -                | 1,246                             | <b>1,246</b>                | 2,036             |
| Supplies   | 6,655                               | 5,107                                 | 11,762                         | -                       | -                | -                                 | <b>11,762</b>               | 4,020             |
| Taxes  | 101                                 | 101                                   | 202                            | 121                     | 80               | 201                               | <b>403</b>                  | 2,064             |
| Travel and entertainment   | 69,513                              | 59,287                                | 128,800                        | 5,619                   | -                | 5,619                             | <b>134,419</b>              | 111,638           |
| Utilities  | -                                   | -                                     | -                              | 6,143                   | -                | 6,143                             | <b>6,143</b>                | 5,619             |
| Volunteers   | -                                   | 683                                   | 683                            | -                       | -                | -                                 | <b>683</b>                  | 500               |
| Website  | -                                   | -                                     | -                              | 1,172                   | -                | 1,172                             | <b>1,172</b>                | 3,470             |
| <b>Total Other Expenses</b>  | <b>197,852</b>                      | <b>198,816</b>                        | <b>396,668</b>                 | <b>44,841</b>           | <b>37,067</b>    | <b>81,908</b>                     | <b>478,576</b>              | <b>415,988</b>    |
| <b>Total Expenses</b>  | <b>\$ 211,373</b>                   | <b>\$ 212,337</b>                     | <b>\$ 423,710</b>              | <b>\$ 61,065</b>        | <b>\$ 47,883</b> | <b>\$ 108,948</b>                 | <b>\$ 532,658</b>           | <b>\$ 469,296</b> |

See accompanying notes and independent accountants' review report.

# The Tomball Sister City Organization

## Statement of Cash Flows

| <i>Year ended September 30, (with comparative totals for 2022)</i>                   | <b>2023</b>       | <b>2022</b>       |
|--|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>  |                   |                   |
| Change in Net Assets   | \$ (28,130)       | \$ 1,959          |
| Adjustments to reconcile change in net assets to net cash from operating activities: |                   |                   |
| Depreciation expense   | 1,126             | 1,126             |
| Change in operating assets and liabilities:  |                   |                   |
| Deferred revenue   | (8,127)           | 14,336            |
| Accrued expenses   | (5,343)           | 2,041             |
| Total Adjustments  | (12,344)          | 17,503            |
| Net Change from Operating Activities   | (40,474)          | 19,462            |
| <b>Net Change in Cash and Cash Equivalents</b>                                       | <b>(40,474)</b>   |                   |
| Cash and Cash Equivalents, beginning of year   | 255,692           | 236,230           |
| <b>Cash and Cash Equivalents, end of year</b>  | <b>\$ 215,218</b> | <b>\$ 255,692</b> |

# 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 Heritage Festival* – traditionally held 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.
- *Tomball German Christmas Market* – traditionally held 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.

**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

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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.

**Contributed Nonfinancial Assets** – Contributed nonfinancial assets are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributed services are recognized as support at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated.

**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 the 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.

**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

# The Tomball Sister City Organization

## Notes to Financial Statements

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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, 2023 and 2022 was \$73,210 and \$53,086, respectively.

### **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, 2023, are comprised of cash and cash equivalents amounting to \$215,218.

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 revenue. 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, 2023 and 2022, the Organization had no uninsured balances.

For the year ended September 30, 2023, one grantor accounted for thirty-one percent (31%) of total public support and revenue. For the year ended September 30, 2022, one grantor accounted for thirty-four percent (34%) of total public support and revenue.

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 and negatively impact festival revenues.

# The Tomball Sister City Organization

## Notes to Financial Statements

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### NOTE 4 – PROPERTY AND EQUIPMENT

As of September 30, 2023 and 2022, property and equipment consist of the following:

|                                   | 2023    | 2022    |
|-----------------------------------|---------|---------|
| Computers                         | \$3,357 | \$3,357 |
| Trailers                          | 8,248   | 8,248   |
| Subtotal property and equipment   | 11,605  | 11,605  |
| Less: accumulated depreciation    | (7,882) | (6,756) |
| Total property and equipment, net | \$3,723 | \$4,849 |

Depreciation expense for the years ended September 30, 2023 and 2022 was \$1,126 in both years.

### NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2024, the date the financial statements were available to be issued. No additional events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.