

**DESTINATION IMAGINATION, INC.**

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**FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

# DESTINATION IMAGINATION, INC.

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Destination Imagination, Inc.

We have audited the accompanying financial statements of Destination Imagination, Inc., (a nonprofit organization), which are comprised of the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Destination Imagination, Inc., as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Baum, Smith & Clemens, LLP*

Harleysville, PA  
June 21, 2022

**DESTINATION IMAGINATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2021 AND 2020**

	2021	Restated 2020
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 97,790	\$ 416,895
Accounts receivable	84,068	20,400
Grants receivable	192,000	300,000
Other receivable	46,874	-
Inventory	-	22,500
Prepaid expenses and miscellaneous	150,102	227,475
Total current assets	570,834	987,270
Property and equipment, net	899,974	1,098,009
Prepaid - long term	-	90,176
	<b>\$ 1,470,808</b>	<b>\$ 2,175,455</b>
<b>LIABILITIES</b>		
Current		
Line of credit	\$ 350,000	\$ -
Paycheck Protection Program loan	354,905	-
Accounts payable	48,912	54,789
Accrued expenses	92,879	101,540
Other liabilities	5,936	5,509
Deferred revenue	129,544	3,375
Due to affiliates	58,400	26,180
Total current liabilities	1,040,576	191,393
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	14,510	1,397,254
Board designated	58,750	58,750
Total without donor restrictions	73,260	1,456,004
With donor restrictions	356,972	528,058
Total net assets	430,232	1,984,062
<b>Total liabilities and net assets</b>	<b>\$ 1,470,808</b>	<b>\$ 2,175,455</b>

See Accompanying Notes to Financial Statements

**DESTINATION IMAGINATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021			Restated 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Global finals	\$ 621,294	\$ -	\$ 621,294	\$ 108,612	\$ -	\$ 108,612
Team registrations	271,825	-	271,825	649,196	-	649,196
Grants, contributions, and sponsorships	341,636	81,900	423,536	1,077,532	390,533	1,468,065
Special events	3,627	-	3,627	6,737	-	6,737
Affiliate license fee	10,850	-	10,850	16,900	-	16,900
Interest income	255	-	255	3,850	-	3,850
Other income	162,799	-	162,799	13,280	-	13,280
Net assets, released from restrictions	252,986	(252,986)	-	90,184	(90,184)	-
<b>Total support and revenue</b>	<b>1,665,272</b>	<b>(171,086)</b>	<b>1,494,186</b>	<b>1,966,291</b>	<b>300,349</b>	<b>2,266,640</b>
<b>Expenses</b>						
Program services	1,863,789	-	1,863,789	2,090,121	-	2,090,121
Management and general	1,030,350	-	1,030,350	1,045,106	-	1,045,106
Fundraising	154,027	-	154,027	188,531	-	188,531
<b>Total expenses</b>	<b>3,048,166</b>	<b>-</b>	<b>3,048,166</b>	<b>3,323,758</b>	<b>-</b>	<b>3,323,758</b>
<b>Change in operating net assets</b>	<b>(1,382,894)</b>	<b>(171,086)</b>	<b>(1,553,980)</b>	<b>(1,357,467)</b>	<b>300,349</b>	<b>(1,057,118)</b>
<b>Nonoperating activities</b>						
Promotional sales - branded	50,511	-	50,511	28,210	-	28,210
Paycheck Protection Program grant	-	-	-	377,753	-	377,753
Costs of branded promotional items	(50,361)	-	(50,361)	(155,536)	-	(155,536)
	150	-	150	250,427	-	250,427
<b>Change in net assets</b>	<b>(1,382,744)</b>	<b>(171,086)</b>	<b>(1,553,830)</b>	<b>(1,107,040)</b>	<b>300,349</b>	<b>(806,691)</b>
<b>Net assets, beginning of year as restated</b>	<b>1,456,004</b>	<b>528,058</b>	<b>1,984,062</b>	<b>2,563,044</b>	<b>227,709</b>	<b>2,790,753</b>
<b>Net assets, end of year</b>	<b>\$ 73,260</b>	<b>\$ 356,972</b>	<b>\$ 430,232</b>	<b>\$ 1,456,004</b>	<b>\$ 528,058</b>	<b>\$ 1,984,062</b>

See Accompanying Notes to Financial Statements

**DESTINATION IMAGINATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Direct expense</b>				
Affiliate support and administration	\$ 230	\$ -	\$ -	\$ 230
Conference and bulk mail reimbursement	-	12,242	-	12,242
Creative Compass/other materials	-	-	10,870	10,870
Credit card fees	-	24,252	-	24,252
DI university	39,375	-	-	39,375
Global finals	256,735	-	-	256,735
Program materials/shipping/commissions	123,956	-	-	123,956
<b>Total direct expense</b>	<b>420,296</b>	<b>36,494</b>	<b>10,870</b>	<b>467,660</b>
<b>Staff expense</b>				
Employee travel	-	5,157	-	5,157
Employee benefits and payroll taxes	117,709	46,025	11,376	175,110
Professional development	-	3,922	-	3,922
Salaries	968,638	378,746	93,608	1,440,992
<b>Total staff expense</b>	<b>1,086,347</b>	<b>433,850</b>	<b>104,984</b>	<b>1,625,181</b>
<b>Other operating expense</b>				
Association memberships	4,377	-	-	4,377
Audit and legal fees	-	57,715	-	57,715
Bad debt	-	3,615	-	3,615
Building maintenance	-	18,763	-	18,763
Consultants	101,595	87,478	17,178	206,251
Depreciation	-	40,035	-	40,035
Impairment	-	158,000	-	158,000
Fundraising	55,502	-	-	55,502
Insurance	7,830	71,143	757	79,730
Interest	-	6,581	-	6,581
IT costs	100,765	39,400	9,738	149,903
Miscellaneous	87,077	3,552	10,500	101,129
Office supplies	-	23,489	-	23,489
Other shipping	-	5,185	-	5,185
Utilities	-	45,050	-	45,050
<b>Total other operating expense</b>	<b>357,146</b>	<b>560,006</b>	<b>38,173</b>	<b>955,325</b>
<b>Totals</b>	<b>\$ 1,863,789</b>	<b>\$ 1,030,350</b>	<b>\$ 154,027</b>	<b>\$ 3,048,166</b>

See Accompanying Notes to Financial Statements

**DESTINATION IMAGINATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Direct expense</b>				
Affiliate support and administration	\$ 3,037	\$ -	\$ -	\$ 3,037
Conference and bulk mail reimbursement	17,157	-	-	17,157
Creative Compass/other materials	20,392	10,980	-	31,372
Credit card fees	20,138	8,365	2,478	30,981
DI university	60,000	-	-	60,000
Global finals	249,922	-	-	249,922
Program materials/shipping/commissions	126,194	-	-	126,194
<b>Total direct expense</b>	<b>496,840</b>	<b>19,345</b>	<b>2,478</b>	<b>518,663</b>
<b>Staff expense</b>				
Employee travel	7,770	20,432	956	29,158
Employee conferences	3,846	-	-	3,846
Employee benefits and payroll taxes	126,629	51,167	15,161	192,957
Professional development	-	13,132	-	13,132
Salaries	1,110,595	462,757	137,113	1,710,465
<b>Total staff expense</b>	<b>1,248,840</b>	<b>547,488</b>	<b>153,230</b>	<b>1,949,558</b>
<b>Other operating expense</b>				
Association memberships	25,802	-	-	25,802
Audit and legal fees	-	58,760	-	58,760
Bad debt	-	5,760	-	5,760
Board of trustees travel	-	14,714	-	14,714
Building maintenance	-	25,030	-	25,030
Consultants	239,337	27,900	22,400	289,637
Depreciation	-	52,165	-	52,165
Fundraising	-	-	10,423	10,423
Insurance	76,968	41,445	-	118,413
Interest	-	5,372	-	5,372
IT costs	-	148,671	-	148,671
Miscellaneous	2,334	8,567	-	10,901
Office supplies	-	34,565	-	34,565
Other shipping	-	8,730	-	8,730
Utilities	-	46,594	-	46,594
<b>Total other operating expense</b>	<b>344,441</b>	<b>478,273</b>	<b>32,823</b>	<b>855,537</b>
<b>Totals</b>	<b>\$ 2,090,121</b>	<b>\$ 1,045,106</b>	<b>\$ 188,531</b>	<b>\$ 3,323,758</b>

See Accompanying Notes to Financial Statements

**DESTINATION IMAGINATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	Restated 2020
Cash flows from operating activities		
<b>Change in net assets</b>	<b>\$ (1,553,830)</b>	<b>\$ (806,691)</b>
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	40,035	52,165
Impairment	158,000	-
Inventory allowance	-	78,832
Changes in assets and liabilities		
Accounts receivable	(63,668)	165,314
Grants receivable	108,000	(300,000)
Other receivable	(46,874)	
Inventory	22,500	(78,553)
Prepaid expenses and miscellaneous	167,549	(208,058)
Accounts payable	(5,877)	(114,328)
Accrued expenses	(8,661)	(44,278)
Other liabilities	427	(57,547)
Deferred revenue	126,169	(397)
Due to affiliates	32,220	12,155
<b>Net cash provided by operating activities</b>	<b>(1,024,010)</b>	<b>(1,301,386)</b>
Cash flows from investing activities		
Purchase of equipment	-	(10,317)
<b>Net cash used by investing activities</b>	<b>-</b>	<b>(10,317)</b>
Cash flows from financing activities		
Proceeds from line of credit	350,000	500,000
Proceeds from Paycheck Protection Program	354,905	-
Repayment of line of credit	-	(500,000)
<b>Net cash provided by financing activities</b>	<b>704,905</b>	<b>-</b>
<b>Net change in cash</b>	<b>(319,105)</b>	<b>(1,311,703)</b>
Beginning cash and cash equivalents	416,895	1,728,598
Ending cash and cash equivalents	<b>\$ 97,790</b>	<b>\$ 416,895</b>
 <u>Supplementary Disclosures of Cash Flows Information</u>		
Cash paid during the year for:		
Interest	\$ 6,581	\$ 5,372

See Accompanying Notes to Financial Statements



**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Destination Imagination, Inc. (the "Organization") is a non-profit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Through its activities, the Organization, a global educational non-profit, inspires the next generation of innovators, leaders and creative problem solvers. The Organization's activities are conducted through school districts, state affiliates, community groups and international affiliates worldwide.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature; those restrictions will be met by the passage of time or expenditures for a specified purpose. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained permanently.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

The Organization has received no permanently restricted contributions.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's mission and programs. Nonoperating activities is limited to resources that generate revenue from the sale of the Organization's branded promotional items and the Payroll Protection Program funding during fiscal year ending 2020.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

Receivables

Receivables are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding receivables. Outstanding receivable balances are written off when they are deemed uncollectible. Management has determined that an allowance is not necessary at year end.

**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consisted of awards, certificates, educational books, videos, and souvenirs and was carried at the lower of cost or net realizable value determined by the first-in, first-out method. An allowance was recorded for items purchased for the 2020 Global finals and other items to reduce the inventory value to its realizable value. During the fiscal year ending September 20, 2021 all inventory was sold or scrapped. The Organization is no longer purchasing and holding inventory for resale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and depreciated on the straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment and expenditures for repairs and betterments that materially prolong the useful lives of assets in excess of \$5,000 are capitalized and the cost of maintenance and repairs is expensed as incurred. Listed below are the estimated useful lives of the asset classes:

Building	40 years
Building Improvements	5 – 40 years
Furniture, fixtures and equipment	5 – 10 years

The carrying value of the property and equipment would be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable on an undiscounted basis. If such review were to indicate that the assets may be impaired, i.e. that the carrying amounts of the assets exceed the sum of their expected future cash flows on an undiscounted basis, the assets' carrying amounts are written down to updated estimated fair value. During the year ended September 30, 2021, the Organization did record an impairment adjustment, see Note D.

Due to Affiliate

Due to affiliate represents fees collected the Organization on behalf of its affiliates. These funds will be applied to future team registration fee or other items or refunded to the affiliate. The affiliates represent registered teams that are a separate entity and do not share governance or management control with the Organization and are not considered a related party.

Board Designated Assets

The Organization's board has designated net assets without donor restrictions for scholarships for its programs.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective October 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Organization used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Global Finals revenue consists of team registration fees for the Global Finals event. The fee allows the team the right to participate in the events of Global Finals. The fee is a fixed fee of \$749 per team. Teams from around the world may register for the event. The revenue is recognized upon receipt of registration form for the year in which the event is to be held. Payment of the registration fees are to be paid before the Global Finals event is held, which historically has been in May. In the event that teams are able to obtain sponsors to cover the team fees, the fees are refunded to the team at that time the Organization receives the sponsorship.

Team registration revenue represents revenue from the sale of challenge materials. The fee for the materials is \$110. The challenge materials are provided in a digital format and the revenue is recognized at the point of sale, as the materials are immediately available for download during the Challenge year. The revenue for the Teams that register and pay prior to the upcoming challenge year of October 1, is deferred and the revenue is recognized in the subsequent year.

Promotional sales revenue is recognized at the point of sale or, if ordered, when shipped. Payments received for items not yet shipped are included in deferred revenue.

Grants, contributions and sponsorships are recorded when received as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence of any donor or sponsor imposed restrictions. Contributions that restricted by the donor are reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions as reported as an increase in net assets with donor restriction, depending on the nature of the restriction.

A contribution with a stipulation from the funder that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised is considered conditional. Failure to overcome the barrier gives the funder the right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. The Organization may consider certain government contracts to be conditional contributions.

In-kind Donations

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are performed by individuals with those skills, and would otherwise be purchased by the Organization. The Organization benefits from the many volunteers who provided services throughout the year that were not recognized as contributions in the financial statements because these services do not meet the recognition criteria.

Advertising

The Organization expenses the costs of advertising, sponsorships and exhibits as they are incurred.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of either the best estimate of management or the time spent on the function by employees. Employee benefits and payroll taxes are allocated based on the overall payroll expense allocation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Deferred Annuity Plan

The Organization maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization has the discretion to contribute a percentage of gross salaries for qualified employees to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization made no contributions for the years ending September 30, 2021 or 2020.

Income Taxes

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Code.

The Organization is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Actual results could differ from those estimates.

A significant estimates included in the financial statement is the evaluation of the impairment of the value of the assets land, building and improvements.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

NOTE B: CONCENTRATIONS

The Organization maintains cash in bank deposit accounts which at times exceed federally insured limits. No loss has been experienced in such accounts and the Organization does not believe it has significant credit risk on its cash balances.

For the year ended September 30, 2021 and 2020, the Organization had the following significant concentrations:

	<u>2021</u>	Restated <u>2020</u>	<u>Number of concentrations</u>
Support and Revenue	12 %	48%	1 and 2, respectively
Other funding	- %	16%	0 and 1, respectively
Accounts and Grants receivable	74 %	94%	2 and 1, respectively
Accounts Payable	- %	12%	0 and 1, respectively

For the years ending September 30, 2021 and 2020, the Organization received approximately 58% and 28%, respectively of its total revenue and support from its Global Finals event. This event was held virtually during both fiscal year ending September 30, 2021 and 2020 due to the COVID-19 pandemic.

**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE C: GRANTS RECEIVABLE

The following is a summary of the grants receivable as of September 30:

	2021	2020
Current	\$ 192,000	\$ 150,000
Long-term	-	150,000
	\$ 192,000	\$ 300,000

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30::

	2021	2020
Land	\$ 151,000	\$ 178,000
Buildings	967,108	1,084,108
Building improvements	122,982	136,982
Furniture, fixtures and equipment	376,012	376,012
	1,617,102	1,775,102
Less accumulated depreciation	717,128	677,093
	\$ 899,974	\$ 1,098,009

Depreciation expense for the year ended September 30, 2021 and 2020 was \$40,035 and 52,165, respectively.

The Organization's building has been for sale for a number of months, subsequent to September 30, 2021, the Organization signed an agreement of sale for the land, buildings and improvements and furniture and fixtures (See Note O). Due to commercial real estate market in the area being depressed, the selling price in the potential sales agreement indicates that the asset's net realizable value was less than its carrying amount of approximately \$1,050,000. Accordingly, the Organization recognized an impairment loss of approximately \$158,000, which is included in general and administrative expenses in the Organization's statement of activities.

NOTE E: LINE OF CREDIT

The Organization had a \$700,000 revolving line-of-credit available from Fulton Bank of New Jersey. Advances are payable on demand and carry an interest rate equal to the prime rate (3.25% as of September 30, 2021 and 2020). The line-of-credit renews on an annual basis and is collateralized by property and equipment of the Organization. The outstanding balance as of September 30, 2021 and 2020 was \$350,000 and \$-, respectively. (See Note O)

NOTE F: LONG-TERM DEBT

	2021	2020
Notes payable, fixed interest rate of 1%, due in February 2026 (eligible for forgiveness through the Small Business Administration – forgiveness anticipated to be completed and accepted by September 30, 2022).	\$ 354,905	\$ -
	354,905	-
Less: current portion	\$ (354,905)	\$ (-)
Long-term debt	\$ -	\$ -

**DESTINATION IMAGINATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

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NOTE G: NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2021 and 2020, net assets with donor restrictions consisted of grants and contributions restricted for Global Finals and scholarships:

	2021	Restated 2020
DI – China	\$ 68,105	\$ 144,185
Lumens	226,900	300,000
Motorola Solutions Foundation	47,319	64,590
Other	14,648	19,283
	\$ 356,972	\$ 528,058

Net Assets released from restrictions for the years ended September 30, were as follows:

	2021	2020
Purpose restrictions	\$ 252,986	\$ 90,184

NOTE H: EMPLOYEE RETENTION CREDIT

The Organization qualified for the employee retention credit provided by the CARES Act. The credit is a refundable tax credit against certain employment taxes of up to \$7,000 of qualified wages per eligible employee. It is equal to 70% of qualified wages paid to employees during a quarter, capped at \$10,000 per employee for 2021. The Organization recorded a benefit of \$131,870 for the third quarter of 2021. The credit has been included in the grants, contributions and sponsorship line in the Statement of Activities.

NOTE I: OTHER INFORMATION

	2021	2020
Advertising	\$ 10,870	\$ 31,372
Inventory consisted of:		
Promotional items	\$ -	\$ 101,332
Allowance	-	(78,832)
Total inventory, net	\$ -	\$ 22,500

In April 2020, the Organization received a loan in the amount of \$377,753 under the Payroll Protection Program (PPP Loan). The PPP Loan and accrued interest were forgivable after the covered period, up to 24 weeks, if the borrower used the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operation expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness can be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24 weeks. The unforgiven portion of the PPP Loan would be payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

As of September 30, 2020, the Organization believed it had met the PPP's eligibility criteria and, the loan was subsequently forgiven in April, 2021. As a result, the Organization accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year ended September 30, 2020, the Organization used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP Loan amount as a grant in the accompanying statements of activities.

**DESTINATION IMAGINATION, INC.**  
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NOTE J: OPERATING LEASES

The Organization leases office equipment under operating lease obligations. Minimum future lease payments under non-cancellable operating leases having remaining terms in excess of one year as of September 30, 2021 are as follows:

Years Ending September 30th	Amount
2022	\$ 11,632
2023	<u>1,772</u>
	<u>\$ 13,404</u>

Rent expense was \$13,032 for the both years ended September 30, 2021 and 2020, respectively.

NOTE K: COMMITMENTS AND CONTINGENCIES

The Organization has contracted to hold Global Finals through 2022 at the Kansas City Convention Center. Either party can terminate this contract. Under certain circumstances, cancellation fees would apply. The Organization has negotiated waiver of the cancellation fees related to the 2021 and 2020 Global Finals. See Note N.

The Organization had an agreement with an entity to manage and coordinate events for the Organization. The services cover the 2020, 2021 and 2022 Global Finals virtual events. The 2020 Global Finals was held virtually in July 2020. The original fee was a total of \$432,000 to be paid in monthly installments of \$18,000 through July 1, 2022. Additional event help, would be billed at cost. This agreement was amended on March 1, 2021 and June 1, 2021, after the decision was made that the 2021 Global Finals would be a virtual event. The expense for the years ending September 30, 2021 and 2020 was \$140,108 and \$128,570 respectively. The future commitment of the Organization at September 30, 2021 is \$198,000 to be paid in equal installments starting in October 2021 through June of 2022.

NOTE L: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has reduced staffing and is negotiating to convert its Line of Credit to a term loan to manage future cash flows.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because donor-imposed restrictions or board designations. Amounts available include cash and receivables.

	2021	Restated 2020
Current assets, excluding non-financial assets	\$ 420,732	\$ 737,295
Donor restricted and Board designated funds	<u>(415,722)</u>	<u>(586,808)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,010</u>	<u>\$ 150,487</u>

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**NOTE M: PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements for the year ended September 30, 2020 have been restated to correct an error to account for a multi-year unconditional grant receivable. This correction increased beginning net assets by \$150,000 and increased support by \$150,000.

**NOTE N: RISKS AND UNCERTAINTIES**

The COVID-19 pandemic has caused business disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks which caused the Organization to change Global Finals from an in-person event to a scaled back virtual event for 2020 and 2021, negatively impacting its operations. Management continues to monitor the impact of the pandemic and to take steps to mitigate the financial and operational effects to the Organization.

**NOTE O: GOING CONCERN**

The Organization has had significant changes in operating net assets for the last two fiscal years included in these financial statements resulting in a depletion of their cash reserves. The depletion is directly attributed to the effects of the pandemic which prevented the Organization from holding its signature, in-person event, Global Finals. Management has responded to the situation by developing a proactive plan to provide the necessary operating cash to fully operate the Organization's programs and meet its financial obligations and allow the organization to continue to operate in future years. The Organization received a substantial grant subsequent to the current year end. In addition, the Organization has agreed to the sale of its office building to generate current cash flow and to reduce cash expenditures in future years for occupancy costs. Management and the Organization's Board are confident these actions will enable the Organization to meet its obligations for the twelve month period from the date these financial statements are available to be issued.

**NOTE P: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available to be issued which was June 21, 2022.

The Organization's headquarters located at 1111 South Union Avenue, Cherry Hill, New Jersey is under contract for sale of the property, building, furniture and improvements for \$885,000. Settlement is scheduled to be closed on or before June 24, 2022. However, the estimated impairment to the value of the property was recorded during the fiscal year ending September 30, 2021, refer to Note D

Subsequent to September 30, 2021, the bank reduced the Organization's line of credit from \$700,000 to \$350,000. All other terms of the line of credit remained in full force and effect. The line of credit was paid in full on May 10, 2022 and terminated at the request of the Organization.