

DESTINATION IMAGINATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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**DESTINATION IMAGINATION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Destination Imagination, Inc.
Blackwood, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Destination Imagination, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, management adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases greater than one year. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 Destination Imagination, Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Destination Imagination, Inc.'s 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.

Prior Year Financial Statements

The financial statements for the year ended September 30, 2022, were audited by other auditors whose report, dated November 8, 2023, expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
July 17, 2024

**DESTINATION IMAGINATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash	\$ 207,225	\$ 322,054
Accounts Receivable	125,051	106,238
Prepaid Expenses and Other Assets	84,413	64,613
Security Deposit	1,173	-
Right of Use Asset	21,650	-
Property and Equipment, Net	-	8,164
Total Assets	\$ 439,512	\$ 501,069
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 38,016	\$ 139,959
Accrued Expenses	161,873	109,656
Deferred Revenue	288,772	195,340
Operating Lease Liability	18,663	-
Due to Affiliates	35,433	41,305
Total Liabilities	542,757	486,260
NET ASSETS		
Without Donor Restrictions	(103,245)	126
With Donor Restrictions	-	14,683
Total Net Assets (Deficit)	(103,245)	14,809
Total Liabilities and Net Assets	\$ 439,512	\$ 501,069

See accompanying Notes to Financial Statements.

DESTINATION IMAGINATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total
REVENUE AND SUPPORT						
Global Finals	\$ 2,974,654	\$ -	\$ 2,974,654	\$ 2,589,931	\$ -	\$ 2,589,931
Team Registrations	630,837	-	630,837	464,042	-	464,042
Contributions, Grants, and Sponsorships	663,090	-	663,090	697,519	200,000	897,519
Interest Income	-	-	-	6,723	-	6,723
Other Income	97,354	-	97,354	237,260	-	237,260
Net Assets Released from Restrictions	14,683	(14,683)	-	542,289	(542,289)	-
Total Revenue and Support	<u>4,380,618</u>	<u>(14,683)</u>	<u>4,365,935</u>	<u>4,537,764</u>	<u>(342,289)</u>	<u>4,195,475</u>
EXPENSES						
Program Services	3,491,126	-	3,491,126	3,863,706	-	3,863,706
Supporting Services	-	-	-	-	-	-
Management and General	841,144	-	841,144	946,530	-	946,530
Fundraising	191,369	-	191,369	147,890	-	147,890
Total Expenses	<u>4,523,639</u>	<u>-</u>	<u>4,523,639</u>	<u>4,958,126</u>	<u>-</u>	<u>4,958,126</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES	(143,021)	(14,683)	(157,704)	(420,362)	(342,289)	(762,651)
NONOPERATING ACTIVITIES						
Promotional Sales - Branded	59,536	-	59,536	68,505	-	68,505
Costs of Branded Promotional Items	(14,722)	-	(14,722)	(32,003)	-	(32,003)
Paycheck Protection Program						
Loan Forgiveness	-	-	-	354,905	-	354,905
Loss on Sale of Property and Equipment	(5,164)	-	(5,164)	(44,179)	-	(44,179)
Total Nonoperating Activities	<u>39,650</u>	<u>-</u>	<u>39,650</u>	<u>347,228</u>	<u>-</u>	<u>347,228</u>
CHANGE IN NET ASSETS	(103,371)	(14,683)	(118,054)	(73,134)	(342,289)	(415,423)
Net Assets - Beginning of Year	<u>126</u>	<u>14,683</u>	<u>14,809</u>	<u>73,260</u>	<u>356,972</u>	<u>430,232</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (103,245)</u>	<u>\$ -</u>	<u>\$ (103,245)</u>	<u>\$ 126</u>	<u>\$ 14,683</u>	<u>\$ 14,809</u>

See accompanying Notes to Financial Statements.

DESTINATION IMAGINATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,069,992	\$ 212,512	\$ 145,312	\$ 1,427,816
Employee Benefits and Payroll Taxes	81,118	110,094	13,634	204,846
Audio Visual Expenses	159,657	-	-	159,657
Awards	9,894	-	-	9,894
Background Checks	44,765	-	-	44,765
Bad Debt Expense	-	6,249	-	6,249
Bank and Credit Card Fees	-	93,195	-	93,195
Catering	161,170	-	-	161,170
Commissions	89,301	3,656	-	92,957
Consultants	193,919	116,338	4,363	314,620
Contributions	20,500	60,468	-	80,968
Depreciation	1,500	1,200	300	3,000
Infrastructure	104,120	-	-	104,120
Insurance	23,826	19,060	4,765	47,651
Information Technology	319,038	150,393	7,548	476,979
Marketing	8,439	11,159	4,408	24,006
Office Supplies	2,754	3,509	1,173	7,436
Other Global Finals Costs	104,030	8,937	-	112,967
Professional Fees	-	13,991	298	14,289
Registration	9,552	-	-	9,552
Rental Expense	935,708	6,639	1,953	944,300
Repairs and Maintenance	6,116	4,893	1,223	12,232
Team Challenge Developmental Costs	56,715	-	-	56,715
Travel	59,265	3,932	1,237	64,434
Utilities	13,000	10,400	2,600	26,000
Miscellaneous	16,747	4,519	2,555	23,821
	<u>\$ 3,491,126</u>	<u>\$ 841,144</u>	<u>\$ 191,369</u>	<u>\$ 4,523,639</u>
Total Expenses	<u>\$ 3,491,126</u>	<u>\$ 841,144</u>	<u>\$ 191,369</u>	<u>\$ 4,523,639</u>

See accompanying Notes to Financial Statements.

DESTINATION IMAGINATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,036,040	\$ 367,781	\$ 91,686	\$ 1,495,507
Employee Benefits and Payroll Taxes	118,469	42,055	10,485	171,009
Audio Visual Expenses	178,487	-	-	178,487
Awards	27,402	-	-	27,402
Background Checks	101,532	-	-	101,532
Bad Debt Expense	-	16,186	-	16,186
Bank and Credit Card Fees	-	73,974	-	73,974
Catering	52,935	-	-	52,935
Commissions	103,658	-	-	103,658
Consultants	249,899	-	-	249,899
Contributions	99,404	126,845	20,640	246,889
Depreciation	-	32,288	-	32,288
Infrastructure	107,082	-	-	107,082
Insurance	5,531	65,370	481	71,382
Interest	-	15,510	-	15,510
Information Technology	373,057	42,352	10,558	425,967
Marketing	2,752	12,198	4,639	19,589
Office Supplies	2,161	10,188	2,417	14,766
Other Global Finals Costs	126,506	-	-	126,506
Professional Fees	1,348	48,328	6,960	56,636
Registration	209,723	-	-	209,723
Rental Expense	960,315	7,770	-	968,085
Repairs and Maintenance	-	20,919	-	20,919
Team Challenge Developmental Costs	82,239	-	-	82,239
Travel	24,708	12,482	-	37,190
Utilities	-	40,140	-	40,140
Miscellaneous	458	12,144	24	12,626
	<u>458</u>	<u>12,144</u>	<u>24</u>	<u>12,626</u>
Total Expenses	<u>\$ 3,863,706</u>	<u>\$ 946,530</u>	<u>\$ 147,890</u>	<u>\$ 4,958,126</u>

See accompanying Notes to Financial Statements.

DESTINATION IMAGINATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (118,054)	\$ (415,423)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,000	32,288
Bad Debt Expense	6,249	16,186
Write-off Obsolete Property and Equipment	5,164	-
Forgiveness of Paycheck Protection Program Loan Payable	-	(354,905)
Loss on Sale of Property and Equipment	-	44,179
(Increase) Decrease in:		
Accounts Receivable	(25,062)	200,518
Prepaid Expenses and Other Assets	(19,800)	85,489
Security Deposit	(1,173)	-
Lease Asset	(21,650)	-
Increase (Decrease) in:		
Accounts Payable	(101,943)	91,047
Accrued Expenses	52,217	16,777
Other Liabilities	-	(5,936)
Lease Liability	18,663	-
Deferred Revenue	93,432	65,796
Due to Affiliates	(5,872)	(17,095)
Net Cash Used by Operating Activities	(114,829)	(241,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds from Sale of Property and Equipment	-	815,343
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Line of Credit	-	(350,000)
Net Cash Provided Used by Financing Activities	-	(350,000)
NET CHANGE IN CASH	(114,829)	224,264
Cash - Beginning of Year	322,054	97,790
CASH - END OF YEAR	\$ 207,225	\$ 322,054
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ -	\$ 15,510

See accompanying Notes to Financial Statements.

**DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 ORGANIZATION

Destination Imagination, Inc. (the Organization) is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Through its activities, the Organization, a global educational nonprofit, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restriction.

Also included in this category are net assets that are subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution. The Organization did not have any net assets that are required to be maintained indefinitely at September 30, 2023 and 2022.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with organizations having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Interest is not charged on outstanding balances.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to 40 Years
Furniture, Fixtures, and Equipment	5 to 10 Years

The carrying value of property and equipment is 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.

Due to Affiliate

Due to affiliate represents fees collected by the Organization on behalf of its affiliates. These funds will be applied to future team registration fees 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

From time to time, the Organization's board has designated net assets without donor restrictions for scholarships for its programs. There were no board designated net assets as of September 30, 2023 and 2022.

Contributions, Grants, and Sponsorships

Contributions, grants, and sponsorships received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions, grants, and sponsorships whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions, grants, and sponsorships are recognized as revenue when the related promise to give is received. Conditional contributions, grants, and sponsorships are recognized as revenue when the conditions are satisfied. At September 30, 2023, the Organization had no in conditional contributions, grants, and sponsorships.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

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.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization follows the income tax standard for uncertain tax positions. The Organization believes there are no uncertain tax positions that need to be disclosed in the financial statements. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and employee benefits and payroll taxes which were allocated based on estimates of time and effort.

Concentrations of Credit Risk

Cash and accounts receivable are financial instruments which potentially subject the Organization to concentrations of credit risk. The Organization maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits. At September 30, 2023, the Organization had no significant concentrations of credit risk.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

The Organization adopted the requirements of the guidance effective October 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The University has elected to adopt the package of practical expedients available in the year of adoption.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

NOTE 3 REVENUE RECOGNITION

Performance Obligations and Revenue Recognition

Global Finals revenue consists of team registration fees for the Global Finals event. The fixed fee allows the team the right to participate in the events of Global Finals. 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 is 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 the time the Organization receives the sponsorship.

Team Registration revenue represents revenue from the sale of challenge materials at a fixed fee. 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.

The Organization's revenue is recognized at a point in time. Team registrations that are paid for in advance of the upcoming challenge year is deferred. The following table shows the revenues according to the timing of the transfer of good or services and by source for the year ended September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue Recognized at a Point in Time:			
Global Finals Revenue	\$ 2,974,654	\$ 2,589,931	\$ 621,294
Team Registrations	630,837	464,042	271,825
Total	<u>\$ 3,605,491</u>	<u>\$ 3,053,973</u>	<u>\$ 893,119</u>

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 REVENUE RECOGNITION (CONTINUED)

Performance Obligations and Revenue Recognition (Continued)

The Organization's contract liabilities consist of the following at September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contract Liabilities:			
Deferred Revenue -			
Team Registrations	\$ 288,772	\$ 195,340	\$ 129,544

Transaction Price

Revenue or transaction price is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Global Final and Team Registrations are reported at established rates.

Contract Balances

The timing of revenue recognition, billings and cash collections results in contract assets and liabilities. Contract assets exist when the entity has a contract with a customer for which revenue has been recognized but customer payment is contingent upon a future event. The Organization has revenue that is based on delivered goods and services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded. Contract liabilities include advance registration and unearned revenue when a payment is received for an event held in the next fiscal year.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at September 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Furniture, Fixtures, and Equipment	\$ 376,012	\$ 376,012.0
Less: Accumulated Depreciation	(370,848)	(367,848)
Less: Write-off Obsolete PPE	(5,164)	-
Property and Equipment, Net	<u>\$ -</u>	<u>\$ (367,848)</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$3,000 and \$32,288, respectfully.

In 2021, the Organization's building was put up for sale. Due to the commercial real estate market in the area being depressed, the selling price was less than the carrying value. Accordingly, the Organization recognized an impairment loss of approximately \$158,000, which was included in general and administrative expenses in the Organization's statement of activities for the year ended September 30, 2021. The building along with the land and building improvements were sold in July 2022. The Organization incurred a loss on the sale of \$44,179 which is recorded in the statement of activities for the year ended September 30, 2022.

**DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 5 PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In 2021, the Organization received loan proceeds in the amount of \$354,905 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (Cares Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses.

In 2022, the Small Business Administration forgave the full amount of the loan and as a result, the Organization has recorded the forgiveness in the statement of activities for the year ended September 30, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>Balance 9/30/2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance 9/30/2023</u>
Subject to Expenditure for Specified Purpose or Periods:				
DI - China	\$ 2,235	\$ -	\$ (2,235)	\$ -
Other	12,448	-	(12,448)	-
Total	<u>\$ 14,683</u>	<u>\$ -</u>	<u>\$ (14,683)</u>	<u>\$ -</u>
	<u>Balance 9/30/2021</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance 9/30/2022</u>
Subject to Expenditure for Specified Purpose or Periods:				
DI - China	\$ 68,105	\$ 200,000	\$ (265,870)	\$ 2,235
Lumens	226,900	-	(226,900)	-
Motorola Solutions Foundation	47,319	-	(47,319)	-
Other	14,648	-	(2,200)	12,448
Total	<u>\$ 356,972</u>	<u>\$ 200,000</u>	<u>\$ (542,289)</u>	<u>\$ 14,683</u>

**DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 7 COMMITMENTS AND CONTINGENCIES

Future Contracts

The Organization has entered into various contracts with hotels and other companies for future Global Finals events to be held in 2024.

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 \$40,475 and \$0 contributions for the years ended September 30, 2023 and 2022, respectively.

NOTE 8 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, which have been reduced by financial assets not available within one year. Amounts available include cash and receivables.

	<u>2023</u>	<u>2022</u>
Cash	\$ 207,225	\$ 322,054
Accounts Receivable	125,051	106,238
Total Financial Assets	<u>332,276</u>	<u>428,292</u>
Less: Financial Assets not Available for General Operations Within One Year:		
Restricted by Donor for Specific Purpose or Periods	-	(14,683)
Net Deficit	<u>(103,245)</u>	<u>-</u>
Total Financial Assets Available Within One Year	<u>\$ 229,031</u>	<u>\$ 413,609</u>

Liquidity Management

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 9 LEASES

The Organization determines if an arrangement is a lease at inception. Operating leases are included as right-of-use (ROU) assets and lease liability in the statement of financial position. The Organization did not have any finance leases for the years ended September 30, 2023 and 2022.

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NOTE 9 LEASES (CONTINUED)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU asset and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when its reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization leases office space expiring February 28, 2025. The following table provides quantitative information concerning the Organization's leases for the year ended September 30:

	<u>2023</u>
Lease Cost:	
Total Operating Lease Cost	<u>\$ 11,570</u>
Other Information:	
Operating Cash Flows from Operating Lease	<u>\$ 12,779</u>
Right-of-Use Asset Obtained in Exchange for New Operating Lease Liability	<u>\$ -</u>
Weighted-Average Remaining Lease Term-	
Operating Lease	2.3 Years
Weighted-Average Discount Rate - Operating Lease	1.48%

Minimum lease payments by year are scheduled as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 13,239
2025	<u>5,610</u>
Undiscounted Cash Flows	18,849
(Less) Imputed Interest	<u>(186)</u>
Total Present Value	<u>\$ 18,663</u>

NOTE 10 MANAGEMENT'S PLANS

The Organization has experienced significant losses and negative cash flow from operations in fiscal years 2023 and 2022. The Organization's main source of revenue is its Global Finals event which is an in-person event that is held annually. As a result of the COVID-19 pandemic, this event was not able to be held in person during 2020 and 2021. This caused a financial strain on the Organization due to the significant dependence on this event to be able to sustain operations each year which has had a lasting effect from which it has taken significant time to recover. These factors raised substantial doubt about the Organizations ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

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NOTE 10 MANAGEMENT'S PLANS (CONTINUED)

During 2023 and 2022, the event was held in person and the Organization was able to reduce its loss from \$1,553,830 in 2021 to a loss of \$415,423 in 2022 and reduce its loss from \$415,423 in 2022 to \$118,054 in 2023. Cash flow projections through FY25 show a strong cash balance due to the ability to continue to hold in-person Global Final events which has produced increased registrations year over year. Total teams registered for Global Finals in 2023 and 2022 were approximately 520 and 430, respectively. Total teams that registered and attended Global Finals in FY24 was approximately 650 teams.

Management plans to continue the Organization's progress toward financial stability through careful management of personnel and operating expenses, focusing on the development function to enhance fundraising initiatives and taking advantage of earning interest on their strong cash balances. In the event the strong cash position is substantially reduced and management finds it difficult to meet its obligations, the Organization would look to cut costs strategically and defer payment for some on-going necessary expenses.

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2023 that would require recognition or disclosure in the financial statements.



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