

DESTINATION IMAGINATION, INC.

**FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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
August 10, 2021

DESTINATION IMAGINATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	Restated 2019
ASSETS		
Current		
Cash and cash equivalents	\$ 416,895	\$ 1,728,598
Accounts receivable	20,400	185,714
Grants receivable	150,000	-
Inventory	22,500	22,779
Prepaid expenses and miscellaneous	227,475	12,354
Total current assets	837,270	1,949,445
Property and equipment, net	1,098,009	1,139,857
Prepaid - long term	90,176	97,239
	\$ 2,025,455	\$ 3,186,541
LIABILITIES		
Current		
Accounts payable	\$ 54,789	\$ 169,117
Accrued expenses	101,540	145,818
Other liabilities	5,509	63,056
Deferred revenue	3,375	3,772
Due to affiliates	26,180	14,025
Total current liabilities	191,393	395,788
NET ASSETS		
Without donor restrictions		
Undesignated	1,397,254	2,504,294
Board designated	58,750	58,750
Total without donor restrictions	1,456,004	2,563,044
With donor restrictions	378,058	227,709
Total net assets	1,834,062	2,790,753
Total liabilities and net assets	\$ 2,025,455	\$ 3,186,541

See Accompanying Notes to Financial Statements

DESTINATION IMAGINATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>			<u>Restated 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue						
Global finals	\$ 108,612	\$ -	\$ 108,612	\$ 6,383,711	\$ -	\$ 6,383,711
Team registrations	649,196	-	649,196	1,424,160	-	1,424,160
Grants, contributions, and sponsorships	1,077,532	240,533	1,318,065	296,195	227,709	523,904
Special events	6,737	-	6,737	-	-	-
Affiliate license fee	16,900	-	16,900	9,100	-	9,100
Training and conferences	-	-	-	1,522	-	1,522
Interest income	3,850	-	3,850	10,140	-	10,140
Other income	13,280	-	13,280	28,774	-	28,774
Net assets, released from restrictions	90,184	(90,184)	-	115,785	(115,785)	-
Total support and revenue	1,966,291	150,349	2,116,640	8,269,387	111,924	8,381,311
Expenses						
Program services	2,090,121	-	2,090,121	6,499,096	-	6,499,096
Management and general	1,045,106	-	1,045,106	1,249,480	-	1,249,480
Fundraising	188,531	-	188,531	245,301	-	245,301
Total expenses	3,323,758	-	3,323,758	7,993,877	-	7,993,877
Change in operating net assets	(1,357,467)	150,349	(1,207,118)	275,510	111,924	387,434
Nonoperating activities						
Promotional sales - branded	28,210	-	28,210	375,487	-	375,487
Paycheck Protection Program grant	377,753	-	377,753	-	-	-
Costs of branded promotional items	(155,536)	-	(155,536)	(182,117)	-	(182,117)
	250,427	-	250,427	193,370	-	193,370
Change in net assets	(1,107,040)	150,349	(956,691)	468,880	111,924	580,804
Net assets, beginning of year	2,563,044	227,709	2,790,753	2,094,164	115,785	2,209,949
Net assets, end of year	\$ 1,456,004	\$ 378,058	\$ 1,834,062	\$ 2,563,044	\$ 227,709	\$ 2,790,753

See Accompanying Notes to Financial Statements

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

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Direct expense				
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
Total direct expense	<u>496,840</u>	<u>19,345</u>	<u>2,478</u>	<u>518,663</u>
Staff expense				
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
Total staff expense	<u>1,248,840</u>	<u>547,488</u>	<u>153,230</u>	<u>1,949,558</u>
Other operating expense				
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
Total other operating expense	<u>344,441</u>	<u>478,273</u>	<u>32,823</u>	<u>855,537</u>
Totals	<u>\$ 2,090,121</u>	<u>\$ 1,045,106</u>	<u>\$ 188,531</u>	<u>\$ 3,323,758</u>

See Accompanying Notes to Financial Statements

DESTINATION IMAGINATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Management & General	Fundraising	Total
Direct expense				
Affiliate support and administration	\$ 28,261	\$ -	\$ -	\$ 28,261
Conference and bulk mail reimbursement	39,499	-	-	39,499
Creative Compass/other materials	32,043	19,639	-	51,682
Credit card fees	88,771	42,954	11,454	143,179
DI university	60,417	-	-	60,417
Global finals	4,412,996	-	-	4,412,996
Instant challenges	10,669	-	-	10,669
Licensee conference	86,469	-	-	86,469
Program materials/shipping/commissions	180,576	-	-	180,576
Team challenges	71,584	-	-	71,584
Total direct expense	5,011,285	62,593	11,454	5,085,332
Staff expense				
Employee travel	43,504	23,694	5,614	72,812
Employee conferences	3,705	-	-	3,705
Employee benefits and payroll taxes	112,214	54,298	14,480	180,992
Professional development	-	20,514	-	20,514
Retirement contribution	34,962	16,917	4,511	56,390
Salaries	1,032,994	495,964	132,257	1,661,215
Total staff expense	1,227,379	611,387	156,862	1,995,628
Other operating expense				
Association memberships	4,287	-	-	4,287
Audit and legal fees	-	91,331	-	91,331
Board of trustees travel	-	32,871	-	32,871
Building maintenance	-	26,874	-	26,874
Consultants	177,995	58,612	27,043	263,650
Depreciation	-	58,047	-	58,047
Fundraising	-	-	49,942	49,942
Insurance	67,747	41,523	-	109,270
Interest	-	7,165	-	7,165
IT costs	-	133,026	-	133,026
Miscellaneous	10,403	12,851	-	23,254
Office supplies	-	37,898	-	37,898
Other shipping	-	19,775	-	19,775
Utilities	-	55,527	-	55,527
Total other operating expense	260,432	575,500	76,985	912,917
Totals	\$ 6,499,096	\$ 1,249,480	\$ 245,301	\$ 7,993,877

See Accompanying Notes to Financial Statements

DESTINATION IMAGINATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (956,691)	\$ 580,804
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	52,165	58,047
Inventory allowance	78,832	-
Changes in assets and liabilities		
Accounts receivable	165,314	(6,744)
Grants receivable	(150,000)	-
Inventory	(78,553)	20,784
Prepaid expenses and miscellaneous	(208,058)	151,164
Accounts payable	(114,328)	18,623
Accrued expenses	(44,278)	(93,846)
Other liabilities	(57,547)	41,652
Deferred revenue	(397)	1,682
Due to affiliates	12,155	(188,575)
	(1,301,386)	583,591
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of equipment	(10,317)	(6,741)
Assets transferred to permanently restricted cash	-	-
	(10,317)	(6,741)
Net cash used by investing activities		
Cash flows from financing activities		
Proceeds from line of credit	500,000	-
Repayment of line of credit	(500,000)	-
	-	-
Net cash provided (used) by financing activities		
	(1,311,703)	576,850
Net change in cash		
Beginning cash and cash equivalents	1,728,598	1,151,748
Ending cash and cash equivalents	\$ 416,895	\$ 1,728,598
 <u>Supplementary Disclosures of Cash Flows Information</u>		
Cash paid during the year for:		
Interest	\$ 5,372	\$ 7,165

See Accompanying Notes to Financial Statements

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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. The Organization hosts an annual global competition of teams to showcase their Challenge solutions which provides approximately ninety percent of its operating revenues.

New Accounting Pronouncements

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 has been applied retrospectively to all periods presented if required by the pronouncement.

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 for fiscal year ending 2020.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

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.

Inventory

Inventory consisting of awards, certificates, educational books, videos, and souvenirs is carried at the lower of cost or net realizable value determined by the first-in, first-out method. An allowance has been recorded for items purchased for the 2020 Global finals and other items to reduce the inventory value to its realizable value.

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. No impairment adjustments have been made during the year ended September 30, 2020.

Due to Affiliate

Due to affiliate represents local tournament fees collected the Organization on behalf of its affiliates. These funds are transferred to the affiliates and designated as accounts payable.

Board Designated Assets

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

Revenue Recognition

Global Finals revenue consists of team registration fees for the Global Finals event. The revenue is recognized upon receipt of registration form. In the event that teams are able to obtain sponsors to cover the team fees, the fees are refunded.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Revenue Recognition (Continued)

Team registration revenue represents revenue from the sale of challenge materials. 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.

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.

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.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

New Accounting Pronouncements to be Effective in Subsequent Years

The accounting standards FASB ASC Topic 606, *Revenue from Contracts with Customers*, provides guidance on the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. The effective date of this standard has been delayed with an effective date for periods beginning after December 15, 2019, early implementation is permissible.

The accounting standards FASB ASC Topic 958, 2019-03 Not for Profit entities - *Updating the Definition of Collections*. This standard modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care. This standard is effective for fiscal years beginning after December 15, 2020, but is available for early implementation.

The accounting standards ASU 2020-07, *Presentation of and Disclosures by Not-for-Profit Entities For Contributed Nonfinancial Assets*. This standard provides guidance to improve the transparency of contributed nonfinancial assets for not-for-profit reporting entities through enhancements to presentation and disclosure. This standard is effective for fiscal years beginning after June 15, 2021, but is available for early implementation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was August 10, 2021.

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, the Organization had the following significant concentrations:

	<u>2020</u>	<u>2019</u>	<u>Number of concentrations</u>
Support and Revenue	46%	-%	1 and 0, respectively
Other funding	18%	-%	1 and 0, respectively
Accounts and Grants receivable	88%	-%	1 and 0, respectively
Accounts Payable	12%	-%	1 and 0, respectively

For the year ending September 30, 2019 the Organization received approximately 90% of its total revenue and support from its Global Finals event that was held in May 2019. This event was held virtually during fiscal year ending September 30, 2020 due to the COVID-19 pandemic.

NOTE C: GRANTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Current	\$ 150,000	\$ -
Long-term	-	-
	<u>\$ 150,000</u>	<u>\$ -</u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2020:

	<u>2020</u>	<u>2019</u>
Land	\$ 178,000	\$ 178,000
Buildings	1,084,108	1,084,108
Building improvements	136,982	126,666
Furniture, fixtures and equipment	<u>376,012</u>	<u>376,012</u>
	1,775,102	1,764,786
Less accumulated depreciation	<u>677,093</u>	<u>624,929</u>
	<u>\$ 1,098,009</u>	<u>\$ 1,139,857</u>

Depreciation expense for the year ended September 30, 2020 and 2019 was \$52,165 and 58,047, respectively.

NOTE E: INVENTORY

	<u>2020</u>	<u>2019</u>
Inventory consists of:		
Promotional items	\$ 101,332	\$ 22,779
Allowance	(78,832)	-
Total inventory, net	<u>\$ 22,500</u>	<u>\$ 22,779</u>

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE F: LINE OF CREDIT

The Organization had a \$900,000 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% and 5.0% as of September 30, 2020 and 2019, respectively). The line-of-credit renews on an annual basis and is collateralized by property and equipment of the Organization. There was no outstanding balance as of September 30, 2020 or 2019. (See Note N)

NOTE G: NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2020 and 2019, net assets with donor restrictions consisted of grants and contributions restricted for Global Finals and scholarships:

	<u>2020</u>	<u>2019</u>
Destination Imagination Scholarships	\$ -	\$ 25,000
DI – China	144,185	199,500
Lumens	150,000	-
Motorola Solutions Foundation	64,590	-
Other	19,283	3,209
	<u>\$ 378,058</u>	<u>\$ 227,709</u>

Temporarily Restricted Net Assets released for the years ended September 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions	<u>\$ 90,184</u>	<u>\$ 115,785</u>

NOTE H: OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
Advertising	\$ 31,372	\$ 51,682
Profit sharing expense	\$ -	\$ 56,390

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 are forgivable after the covered period, up to 24 weeks, if the borrower uses 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 believes it has met the PPP's eligibility criteria and, the loan was forgiven in April, 2021. As a result, the Organization has 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 has 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.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE I: 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, 2020 are as follows:

<u>Years Ending September 30th</u>	<u>Amount</u>
2021	\$ 13,032
2022	11,632
2023	<u>1,772</u>
	<u>\$ 26,436</u>

Rent expense was \$13,032 and \$13,032 for the both years ended September 30, 2020 and 2019, respectively.

NOTE J: 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 2020 and 2021 Global Finals.

The Organization had an agreement with an entity to manage and coordinate events for the Organization. The services cover the 2021 and 2022 Global Finals virtual events. 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 total fee was reduced to \$269,000 to be paid in monthly installments through July 1, 2022. The Organization had an agreement with the same entity for the Global Finals events held in person in May 2019 and virtually in July 2020. The expense for the years ending September 30, 2020 and 2019 was \$128,570 and \$210,000 respectively.

NOTE K: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

To manage liquidity the Organization maintains a line of credit of \$900,000 (credit line reduced during subsequent fiscal year see Note M) with a bank that can be drawn upon as needed during the year to manage cash flow. In addition, the Organization reduced staffing 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.

	<u>Amount</u>
Current assets, excluding non-financial assets	\$ 574,050
Donor restricted and Board designated funds	<u>(449,743)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 124,307</u>

DESTINATION IMAGINATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE L: PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for the year ended September 30, 2019 have been restated to correct an error to account for accrued paid time off. This correction decreased beginning net assets by \$50,002 and increased accrued expenses by \$50,002.

NOTE M: RISKS AND UNCERTAINTIES

The COVID-19 pandemic has caused business disruptions worldwide. There were various mandated and voluntary closings of businesses. 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 N: SUBSEQUENT EVENTS

In April of 2021, the bank reduced the Organization's line of credit from \$900,000 to \$700,000. The rate is to be equal to The Wall Street Journal Prime Rate with a floor of 3.25%. All other terms of the line of credit remain in full force and effect.

Subsequent to year-end the Organization (a) received the second round of PPP loan funding for \$354,905 and (b) received notification of forgiveness of the first PPP loan of \$377,753.

The Organization's headquarters, 1111 South Union Avenue, Cherry Hill, NJ was put on the market, for sale, in February 2021. There have been no reasonable offers to purchase the building and no activity since May 2021.