



**DESTINATION  
IMAGINATION®**

**2012  
ANNUAL  
REPORT**





**TABLE of CONTENTS**

**Destination Imagination, Inc.**  
 1111 S. Union Ave.  
 Cherry Hill, NJ 08002

The Destination Imagination program encourages teams of learners to have fun, take risks, focus, and frame challenges while incorporating STEM (science, technology, engineering, and mathematics), the arts, and service learning. Our participants learn patience, flexibility, persistence, ethics, respect for others and their ideas, and the collaborative problem solving process. Teams may showcase their solutions at a tournament. Destination Imagination, Inc. is a 501(c)(3) Nonprofit Education Organization.

Copyright ©2012 by Destination Imagination, Inc. All rights reserved. Printed in the United States of America. No part of this publication may be reproduced or distributed in any form or by any means, or stored in database or retrieval system, without prior written permission of the publisher

**Updates**

---

- A Letter from Chuck Cadle, CEO // 4
- Our Staff // 5
- Our Board // 5
- Our Affiliates and their Directors // 5
- New Office in Asia // 7
- New Logo // 7
- Thanks To Our Sponsors // 7

**Challenge Program**

---

- US Affiliates // 8
- US Affiliate Team Counts // 10
- International Affiliates // 12
- International Team Counts // 14
- Canadian Affiliates // 16
- Canadian Affiliate Team Counts // 17

**Global Finals**

---

- Overview // 18
- Explore the Uncharted // 18
- DITV & Student Reporters // 18
- Special Awards // 18
- Innovation Expo // 18

**Special Projects**

---

- NASA Downlink // 22
- Haiti // 22
- Summer Camps // 22
- Early Learning // 22

**Numbers**

---

- Individual Auditor's Report // 24
- Statements of Financial Position // 25
- Statements of Activities // 26
- Statements of 2012 Functional Expenses // 27
- Statements of 2011 Functional Expenses // 28
- Statements of Cash Flows // 29
- Notes to Financial Statements // 30



## A Letter from Chuck Cadle, CEO

Dear Friends of Destination Imagination,

As I reflect on this past year, I am reminded that our cause-based organization is greater than the sum of its parts. When I think of the time and effort our volunteers, sponsors, and staff put toward the development and administration of our educational programs, the enormity of it all is almost overwhelming. I have never seen such passionate people so invested in what we do. Our Challenge-based program has changed so many lives, which is a testament to our Challenge writers and all of the other men and women who work behind the scenes to produce each year's Challenges.

Our operating results for the year were better than expected. Global team registrations grew 2% to 15,560, and team attendance at Global Finals grew 10% to 1,276. Our financial results reflected this growth. Our net assets increased \$284,000 up from \$220,000 the previous year, and our cash position at year-end was \$1,154,000, which reflected long-term debt reductions during the year of \$420,000. Our global mission was further enhanced this year with the opening of an office in Singapore, new international Affiliates and through our educational initiatives with an orphanage in Haiti.

Destination Imagination is fortunate to have the financial support of major organizations like 3M and Motorola. Both organizations provided strategic funding to support our Challenge development and growth. The 3M Foundation annually sponsors our structural Challenge and the Explore the Uncharted Challenge event at Global Finals. This year, 3M also sponsored some of our early learning initiatives, and sponsored the development/printing of 30,000 Creative Compass marketing brochures for our Affiliates to use in marketing our program. Motorola Solutions Foundation is sponsoring our 2012/13 Technical Challenge, volunteer training initiatives with DI University, and early learning programming for classrooms. Motorola Mobility Foundation sponsored international capacity building. 3M and Motorola also provide volunteers for our initiatives. We cannot thank these two organizations enough for their support of our organization. In addition, IBM, ThinkFun, Ameresco Canada, the Abell Foundation, the Dairy Cooperative and

their promotion organizations, and Flav-O-Rich Dairy joined our many individual donors to provide funding support for our initiatives.

As will be further presented later in this report, this year was highlighted by some significant items. Our brand language and logo were updated to recognize our holistic approach to teaching the creative process from imagination to innovation. Our program materials were enhanced to include Roadmap as a team manager guide. NASA awarded us the opportunity to host one of their six national downlinks from the space station and partnered with us for the Summer of Innovation camp program. DITV went live and enabled us to capture testimonials from sponsors, educators, teams and volunteers. Pearson Education Canada integrated our former Challenges into a professional development offering aimed at teaching 21st century skills to students across Canada beginning in 2013. The STEM & Literacy Pathways for Early Learners educational program was completed and piloted in Head Start classrooms. Pathways is a new early learning initiative designed to provide training to teachers on STEM (science, technology, engineering, and math) concepts and to provide enriched activities and programming to engage early learners for social and emotional, literacy and STEM learning. Lastly, The University of Tennessee joined forces with us to offer creativity camps in Tennessee.

In summary, this has been an amazing and exciting year for the Destination Imagination organization. Thanks to the efforts and support of our volunteers, Affiliates, sponsors and staff, we were able to meet and exceed the goals we had for this year. As you read this annual report, I ask that you also reflect on our cause-based mission and vision for this organization. We are in this together, so feel free to provide me with feedback or comments that may enable us to continue to provide unequalled programming to children around the world.

Chuck Cadle  
Chief Executive Officer

## Our Staff

### Management

Chuck Cadle *Chief Executive Officer*  
Charles Bell *Director of Operations*  
Maureen Donovan *Director of Administration & BOT Administrator*  
Sheila Swanson *Director of DI Program*

### Administration

Steve Flaa *Assistant Controller*  
Joe O'Brien *Controller*  
JoAnne Quinn *Senior Bookkeeper*  
Kevin McDonough *Purchasing and Facilities Director*

### Business Development

Roger Garriock *Managing Director of Canadian Operations*  
Heather Gaskins *Early Learning Development Manager*  
Brownie Mitchell *US Affiliate Operations Consultant*  
Emily Panasowich *Int'l Coordinator & Director of Asian Operations*

### Operations

Jennifer Batchelor *Affiliate & Volunteer Coordinator*  
Guillermina Gonjon *Web Developer*  
Brendon Luci *Technical Illustrator/Graphic Designer*  
Lynn Macey *IT Consultant*  
Mike Marcasciano *Shipping/Warehouse Coordinator*  
Delilah Passero *Customer Support Coordinator*  
Kate Wise *Art Director*

### Destination Imagination Program

Christie Casselring *Graphic Designer*  
Britt Dyer *Special Projects & Events Director*  
Ben Jones *Special Projects & Events Coordinator*  
Andrew Whitmire *Assistant DI Program Director*

## Our Board

### Board of Trustees Chair

Pamela Schroeder

### Board of Trustees Vice-Chair

Johnny Wells

### Board Members

Karen Anderson  
Rosemary Bognar Pinney  
Louise Liddle  
Rick Rand  
Nina Schwenk  
David Thomason  
Bruce Urban  
Dr. Nancy Wingenbach  
Eric Wolff  
Chuck Cadle, *CEO and Ex Officio Non-Voting Board Member*

## Our Affiliates and Their Directors

### Alabama

Gary Brown  
David Thomason

### Alberta

Karen Shepherd

### Arizona

Sylvia Maiorana

### Arkansas

Michele Easter

Mike Mitchell

### Brazil

Debbie Peter

### British Columbia

Faith Garriock

### California

Richard Pinney

### China

Li Xiao

### Colombia

Barry Gilman

### Colorado

Kristine Beisel  
Kate Donelan

### Connecticut

Eric Wolff

### Delaware

Sally Gold

### England

Katherine Morse

### Georgia

Dave Lohrmann

### Guatemala

Jose Luna

### Illinois

Jan Darnell  
Steve Bute

### India

Tony Williams

### Indiana

Melissa Branham

### Iowa

Alisha Heisterkamp

### KACE - South Korea

Oog Hwang

### Kansas

Lohren Meier

### KASI - South Korea

Sun Hwan Yang

### Kentucky

Bill Broomhead  
Lori Broomhead

### Louisiana

Nancy Farley

### Maine

Richard Fernald

### Manitoba

Lonnie Liske

### Maryland

Sally Gold

### Massachusetts

Rich Mizia

### Mexico

Erika Ugarte

### Michigan

Silinia Horne

### Minnesota

Pamela Schroeder

### Mississippi

Ralph D. Carter

### Missouri

Chuck Good

### Montana

Heather Geiger  
Connie Ackerman

### Nebraska

Kim Bejot

### New Brunswick

Carole Murphy

### New Hampshire

Jill Schoonmaker

### New Jersey

Carmine Liuzzi

### New Mexico

Milton Moreno

### New York

Cheryl Druding

### Newfoundland

Sharon Whalen

### North Carolina

Cynthia Kirby  
Tom Kirby

### North Dakota

Max Kringen

### Northwest Territories

Scott Lough

### Nova Scotia

Jerry Thibeau

### Ohio

Cinda Weisgerber

### Ontario

Mary Jo Smith

### Oregon

Karen Anderson  
Adam Kendall

### Pennsylvania

Reggie Bunis

### Poland

Theresa Kosiarek

### Quebec

Andrea Caulfield

### Rhode Island

Katie Jones

### Romania

Megan King

### Saskatchewan

Maureen Taylor

### Scotland

Stuart Miller  
Della Martin

### Singapore

Sandra Cheng

### South Carolina

Pat Wuzzardo

### South Dakota

Cozy Dorton

### Tennessee

Linda Chambers

### Texas

Sue Shanks

### Turkey

Burcu Delen  
Elif Eris

### United Arab Emirates

Sumayya Roben Andy  
Mohammed Ghannoum  
Soha El Mokdad

### Utah

Noel Grabl

### Vermont

Pasquale DiLego

### Virginia

Laurie Abeel

### Washington

Barbara Sailors

### West Virginia

Ron Rogillio

### Wisconsin

Steven Cormier

### Wyoming

Marcia McChesney

### Yukon

Johanne Koser



## DI Opens New Office in Asia

As a result of explosive growth worldwide, Destination Imagination opened an office in Singapore in June of 2012. The office will support and expand our educational program throughout Asia, the Middle East, Pacific Islands and Australia. Asia is one of the fastest growing markets for Destination Imagination, and has the largest participation in the program outside the U.S. and Canada. DI Alumna Emily Panasowich, who is multi-lingual, was named Director of Asian Operations, and has been managing the new Singapore office.

## New Logo Launch

In May 2012, we updated our logo as part of an ongoing evolution of our overall brand. The former logo was used for more than 11 years and represents two very different styles of thinking. The box is a symbol of developers—thinkers that prefer structure when exploring novel ideas, think inside the proverbial box and enjoy conforming to existing expectations and procedures. The ball has come to be a symbol of explorers—thinkers that find structure limiting, think outside the proverbial box and choose not to conform to existing expectations and procedures. The convergence of the two represents flexible thinkers who can move between both styles.

The new work emerged over the last year as we evaluated the brand through participant and Affiliate surveys and focus group testing. We extend our thanks to everyone who participated and helped along the way.

In addition to the logo update, DI has restructured the organization's brand architecture, simplified the messaging and created a more modern visual identity. We also launched our enhanced website in September to coincide with the beginning of the 2012-13 season. These changes will allow our organization to be more clearly understood and better compete in the educational market.

The refreshed look of our brand identity and corresponding materials demonstrate to all of our customers that we're a forward-thinking organization with a passion for teaching the creative process. The new logo is more than just a visual update with a fresh look — it is the beginning of many great things to come for our organization.

## Thanks to Our Sponsors

**3M Continues as Our Strategic Sponsor:** Continuing a partnership that has lasted for more than a decade, The 3M Foundation sponsored the Destination Imagination Structural Challenge, as well as the "Explore the Uncharted" exhibit at Global Finals. This year, 3M also sponsored some of our Early Learning initiatives, and sponsored the development/printing of 30,000 Creative Compass marketing brochures for our Affiliates to use in marketing our program.

**New Sponsors:** IBM and ThinkFun became new Destination Imagination sponsors this year. At 2012 Global Finals, ThinkFun sponsored the annual Affiliate Dinner.



## US Affiliates

- 26 Instant Challenge workshops were held throughout the US during the 2011-12 season
- The 5 US Affiliates with the largest team counts were Texas-2865, Colorado-932, Ohio- 823, Massachusetts-793 and Wisconsin-625
- There were 1,360 Rising Stars! teams this season
- More than 10,000 teams attended Regional and Affiliate tournaments
- More than 175 Regional and Affiliate tournaments were held throughout the United States

**75** New teams in Maryland, which had the most team growth

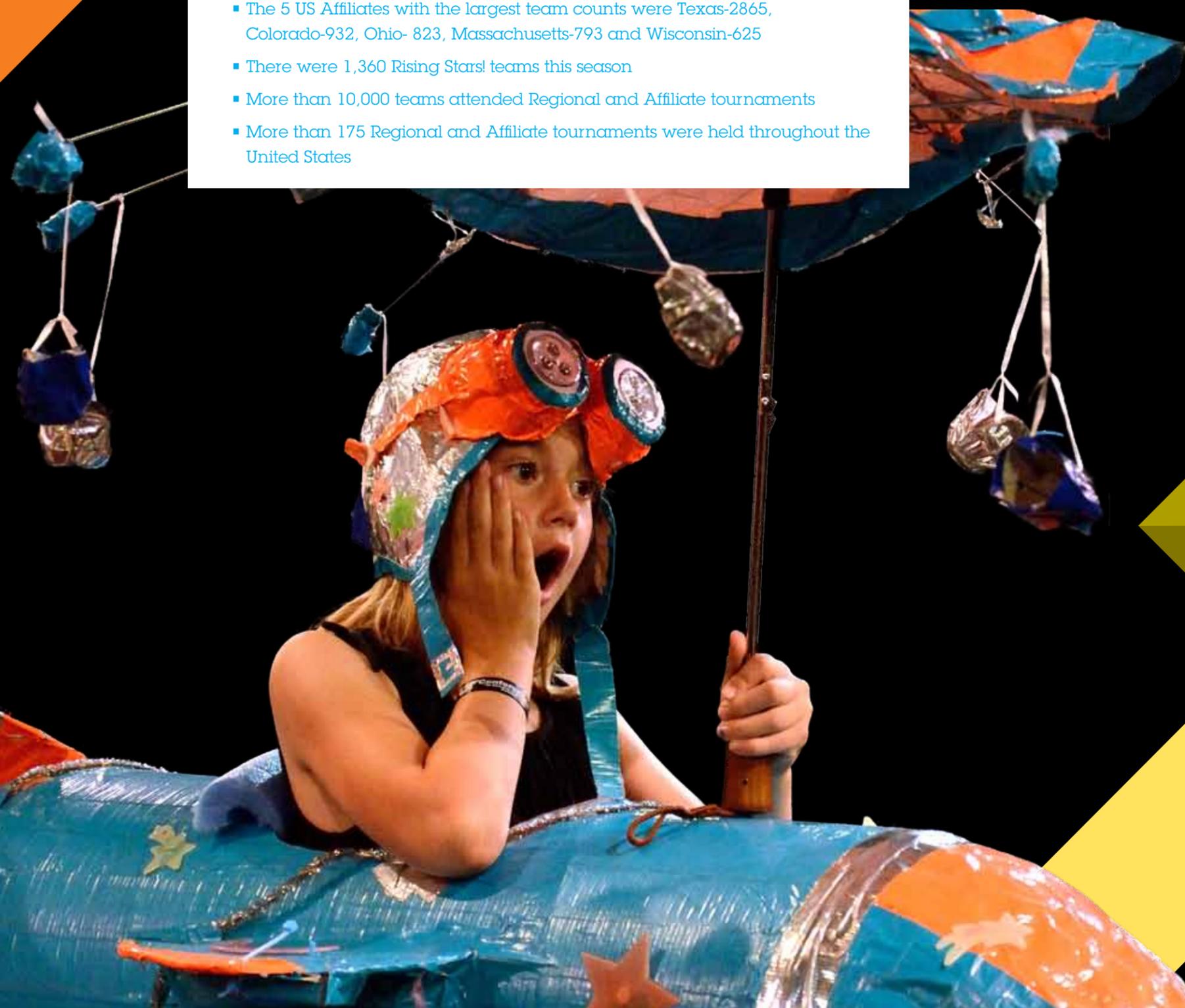
**15,560**

Total Team Packs were purchased for 2011-12 season

**14** US Affiliates increased their team counts

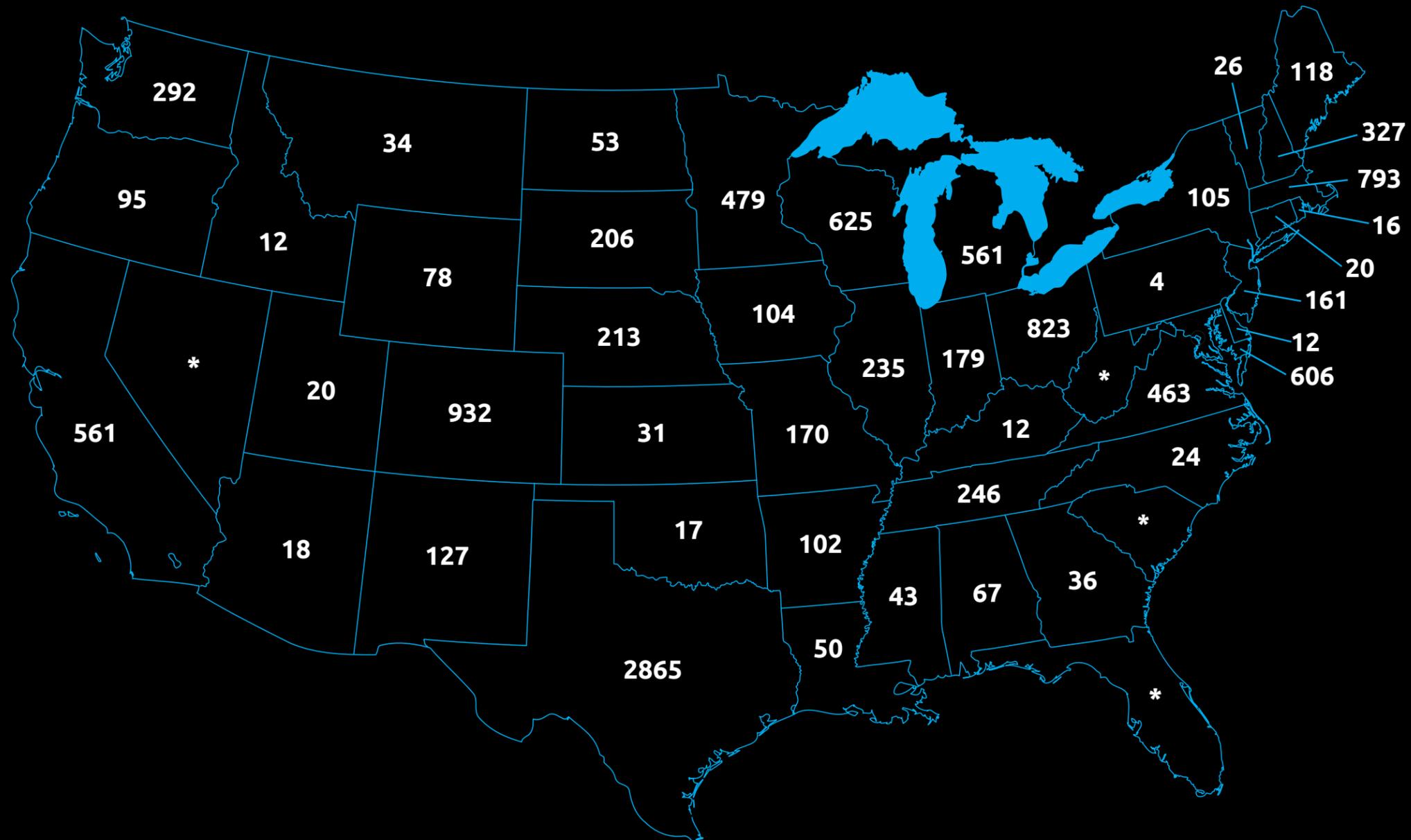
**9,620** US teams attended Affiliate Tournaments

**47** States participated in DI in 2011-12



## US Affiliate & Regional Team Counts

Alabama / 77	Georgia / 36	Maine / 118	Nebraska / 213	Oklahoma / 17	Utah / 20
Arizona / 18	Idaho / 12	Maryland / 606	Nevada / *	Oregon / 95	Vermont / 26
Arkansas / 102	Illinois / 235	Massachusetts / 793	New Hampshire / 327	Pennsylvania / 4	Virginia / 463
California / 561	Indiana / 179	Michigan / 561	New Jersey / 161	Rhode Island / 16	Washington / 292
Colorado / 932	Iowa / 104	Minnesota / 479	New Mexico / 127	South Carolina / *	West Virginia / *
Connecticut / 20	Kansas / 31	Mississippi / 43	New York / 105	South Dakota / 206	Wisconsin / 625
Delaware / 12	Kentucky / 12	Missouri / 170	North Carolina / 24	Tennessee / 246	Wyoming / 78
Florida / *	Louisiana / 50	Montana / 34	Ohio / 823	Texas / 2865	*Less than 10 teams



## International Affiliates

- International team count grew by 28%
- China remained our largest Affiliate outside of the US and Canada with almost 800 teams and growing by an impressive 60%
- 4 Affiliates increased their team counts by over 50%
- Our Program Materials were translated into 6 languages including Spanish, Turkish, French, Polish, Korean and Mandarin
- New countries to DI included Cyprus, Vietnam, Republic of Georgia and Norway
- 6 International teams had 1st Place finishes at Global Finals

**1,773** DI teams were not from the US or Canada

**780+** International teams attended Affiliate Tournaments

**28%** Increase in International Team Packs sold

**274** New teams in China, the highest among International Affiliates

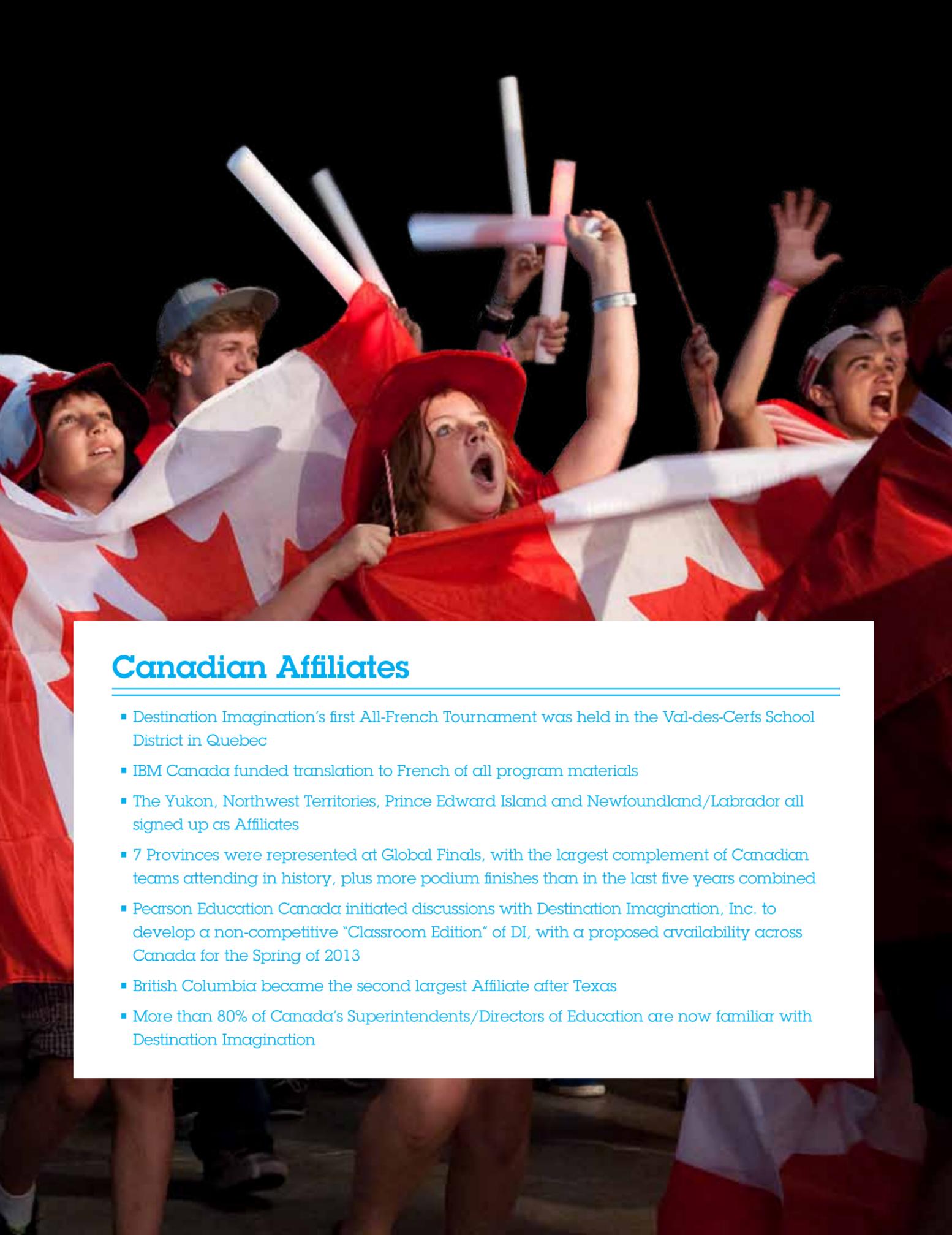
**2** Countries were new to DI this season





## International Team Counts

Brazil / 36	Germany / 5	Panama / 2
China / 730	Guam / 50	Poland / 25
Colombia / 181	Guatemala / 45	Romania / 6
Costa Rica / 6	Hungary / 5	Scotland / 30
Cyprus / 2	India / 31	Singapore / 30
Ecuador / 6	KACE-South Korea / 127	Switzerland / 1
England / 30	KASI-South Korea / 181	Turkey / 147
France / 5	Mexico / 165	United Arab Emirates / 5
Georgia Republic / 7	Norway / 7	US Virgin Islands / 1



**1,806**

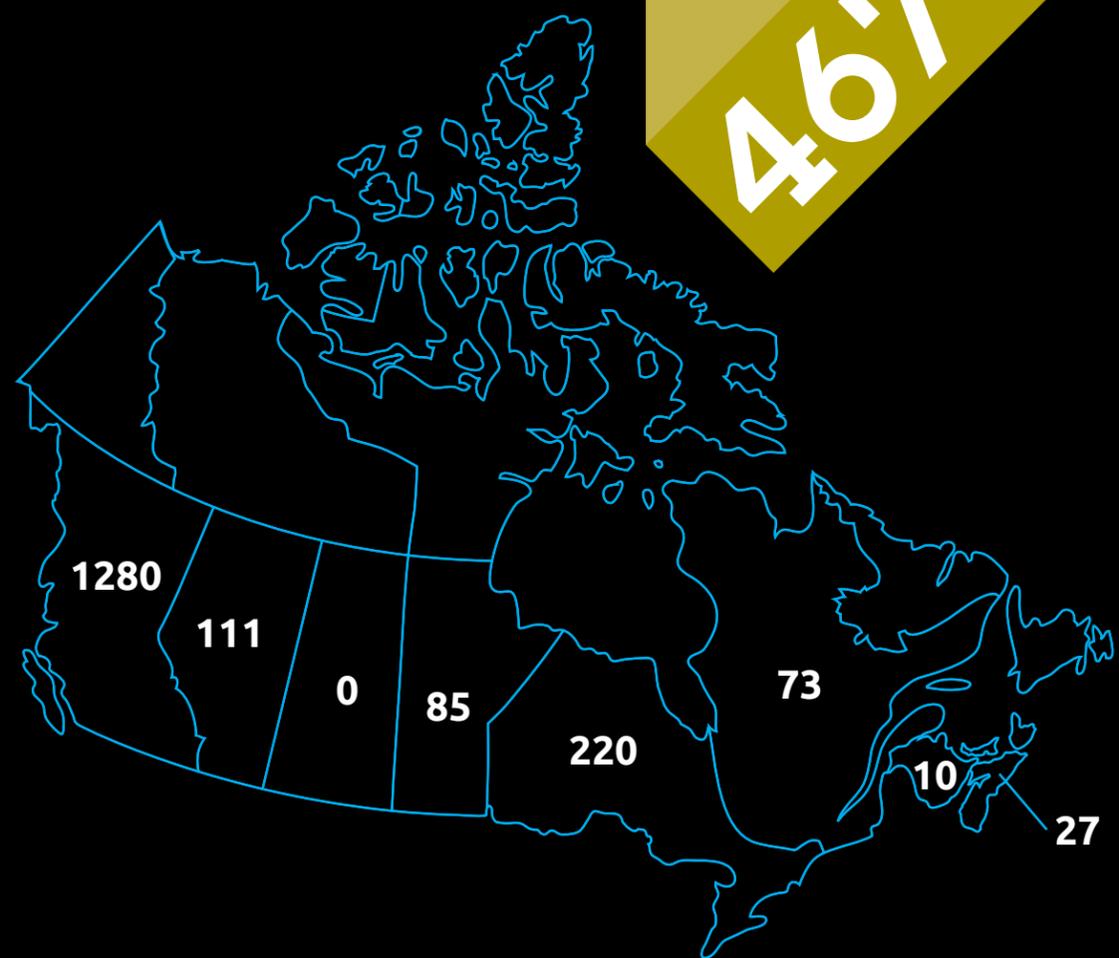
Canadian teams participated in DI 2011-2012

**300+**

Canadian teams attended Affiliate Tournaments

**467%**

Manitoba Team Pack purchases increased in 2011-2012



## Canadian Affiliates

- Destination Imagination's first All-French Tournament was held in the Val-des-Cerfs School District in Quebec
- IBM Canada funded translation to French of all program materials
- The Yukon, Northwest Territories, Prince Edward Island and Newfoundland/Labrador all signed up as Affiliates
- 7 Provinces were represented at Global Finals, with the largest complement of Canadian teams attending in history, plus more podium finishes than in the last five years combined
- Pearson Education Canada initiated discussions with Destination Imagination, Inc. to develop a non-competitive "Classroom Edition" of DI, with a proposed availability across Canada for the Spring of 2013
- British Columbia became the second largest Affiliate after Texas
- More than 80% of Canada's Superintendents/Directors of Education are now familiar with Destination Imagination

## Canadian Affiliate & Regional Team Counts

Alberta / 111	Manitoba / 85	Nova Scotia / 27	Quebec / 73
British Columbia / 1280	New Brunswick / 10	Ontario / 220	Saskatchewan / 0

# GLOBAL FINALS

## Overview & Special Awards

In 2012, the Destination Imagination staff, an army of volunteers from around the world and the University of Tennessee teamed up to make Global Finals a tremendous success. With another record-breaking year, over 16,000 attendees from 45 US states and 14 countries gathered in Knoxville, TN. This year, through interactive exhibits, participants were educated on the importance of brain health as well as awareness against bullying in schools. Participants had the opportunity of a lifetime to showcase their unique talents, interact with other international students and build lasting memories.

This year's Risorgimento Award was presented to the NASA and accepted by Dr. Roosevelt Johnson, Deputy Associate Administrator for Education. This special award has only been given a few times in DI history and is granted to an individual, organization, or corporation that has significantly impacted the world-community in such a way as to make it a better place in which to live. The DI Board of Trustees has recognized that NASA has been positively influencing learners for generations.

## Explore the Uncharted

It was through 3M's 2012 Explore the Uncharted that participants had to tackle the challenge of transporting life-sustaining materials to a new planet. Each team had to design and build a Space Pod that could contain simulated essential resources for life on the space station. The durability of teams' Space Pods were tested while being individually dropped from 20 feet in the air, simulating a space craft landing.

## DITV & Student Reporters

DITV premiered at Global Finals 2012 with live streaming of Opening and Closing Ceremonies and was broadcast to over 100,000 viewers outside of the event. Interviews were conducted by a team of student reporters with sponsors, exhibitors, educators and participants. The videos gathered at Global Finals 2012 are stored and posted on the DITV section of our website for use in marketing and outreach. We will continue to expand DITV in the coming years.

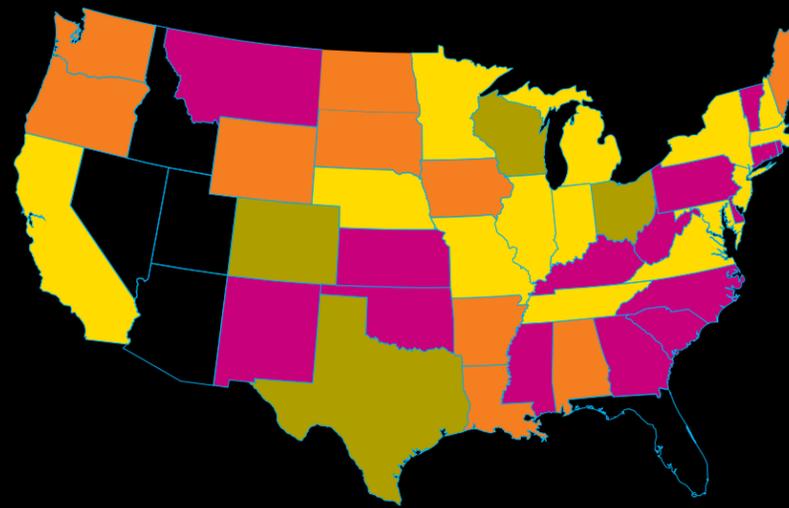
## Dairy Sponsorship & Innovation Expo

A huge thank you goes out to the Dairy Cooperative, their promotion organizations, and to Flav-O-Rich Dairy for supplying all of the milk at this year's Global Finals.

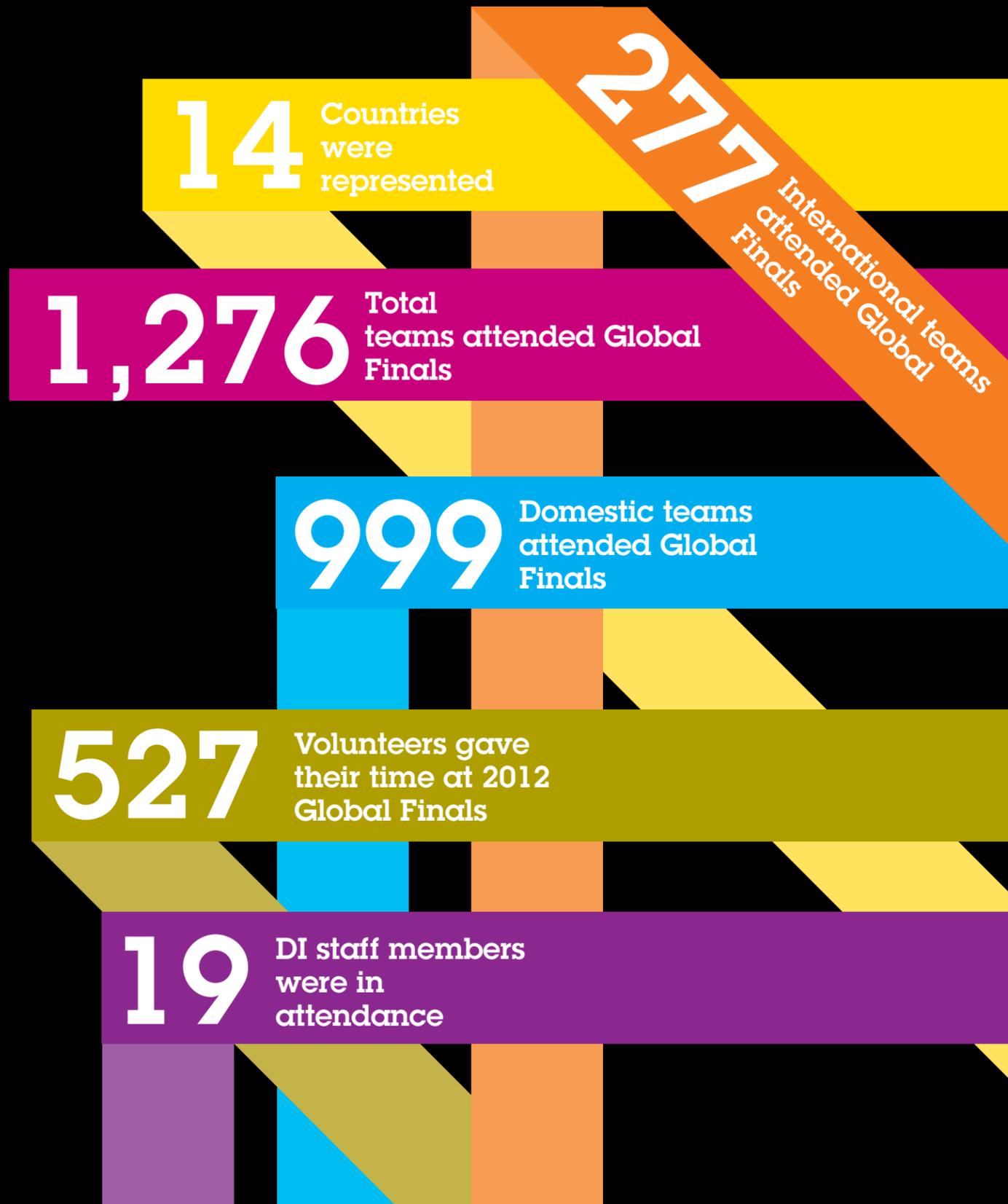
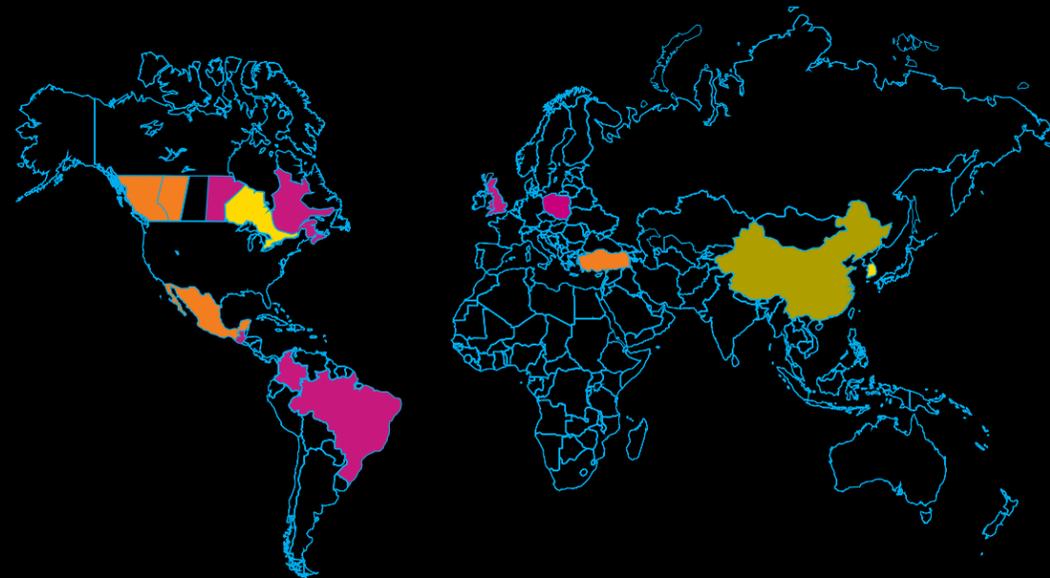
The Innovation Expo at Global Finals gives participants the opportunity to interact with leading organizations in the technology, engineering, science and education industries. This year, Destination Imagination welcomed the following organizations to the Innovation Expo:



Domestic Team Counts at 2012 Global Finals



International Team Counts at 2012 Global Finals



# SPECIAL PROJECTS

## NASA Downlink

In June, 300 students from ESF Summer Camps and the Philadelphia Boys and Girls Clubs gathered at Philadelphia University to participate in a NASA In-Flight Education Downlink. Twenty student representatives posed questions and watched as astronauts answered the questions and demonstrated science, technology, engineering and mathematics concepts in ways that are impossible on Earth. The students were also introduced to Destination Imagination and had the opportunity to form teams and tackle some STEM and space related Instant Challenges.

## Haiti

Destination Imagination partnered with One Vision International (OVI), a Knoxville-based, non-profit organization with a mission of extending aid and support to seemingly forgotten areas of the world. OVI's child sponsorship program provides food, water, medicine and other basic needs to 125 orphans, 75 of which live at the One Vision Children's Home in Arcahaie, Haiti.

In July, several DI staff and alumni joined an educational assessment team and traveled with OVI to Haiti once again. The team of volunteers visited the OVI Children's Home and evaluated the students in various subjects to see if they had advanced in their education and which areas they need more support. The OVI children participated in Destination Imagination challenges and other team-building activities. The volunteer team also had the opportunity to deliver hand-painted T-shirts to the children. The slogans, characters and images were painted by the students at 2012 Global Finals reflected their love, concern, support, friendship and hopes for the future of the Haitian children receiving the T-shirts.

## Summer Camps

2012 was a busy summer for Destination Imagination. For the first time, DI partnered with NASA's Marshal Space Flight Center and the University of Tennessee to host Summer of Innovation (SOI). SOI was held through the Montgomery Village Boys and Girls Club in Knoxville, TN. 65 middle and high-school students had the opportunity to participate in 2 weeks of DI Challenges and NASA activities.

DI also partnered with the University of Tennessee to provide Camp Creativity, a DI summer camp for kids in Knoxville and Nashville. For the third year in a row, Destination Imagination partnered with ESF Summer Camps (Education, Sports and Fun) to provide kids with an opportunity to do DI as a part of the ESF summer programming. The ESF camps were hosted in PA, NJ, DE, MD and CT at eleven different sites, and gave us a great opportunity to expose hundreds of kids to DI for the first time.

## Early Learning

The STEM & Literacy Pathways for Early Learners is a new early learning initiative designed to provide training to teachers in STEM (science, technology, engineering, and math) concepts. The primary objective of the Pathways program is to provide enriched activities and programming to engage early learners for social and emotional, literacy and STEM learning. The Pathways program was completed and piloted in Head Start Centers in 2012. We recognize the enormous market opportunity for early learning curriculum and we look forward to expanding the reach of the Pathways program in the years to come.



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Destination Imagination, Inc.

We have audited the accompanying statements of financial position of Destination Imagination, Inc. (a nonprofit organization) as of September 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FAKTOROW, BARNETT & BRUNNER, L.L.C.

*Faktorow, Barnett & Brunner, L.L.C.*

Marlton, NJ  
November 16, 2012

100B Centre Boulevard  
Marlton, New Jersey 08053-4128

856-810-2160  
FAX 856-810-2165  
FBBCPAS@aol.com

DESTINATION IMAGINATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30,

The accompanying notes are an integral part of these financial statements.

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,154,130	\$ 1,217,555
Investments	-	176,680
Accounts receivable	105,445	151,107
Inventory and prepaid expenses	388,093	343,472
Deposits	32,537	43,275
Property and equipment	<u>1,566,314</u>	<u>1,544,811</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,246,519</u></b>	<b><u>\$ 3,476,900</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Note payable	\$ -	\$ 181,729
Mortgages payable	686,499	924,251
Accounts payable	33,285	189,106
Accrued expenses	315,308	261,721
Other liabilities	56,801	46,692
Deferred revenue	<u>381,995</u>	<u>384,612</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,473,888</u></b>	<b><u>1,988,111</u></b>
<b>NET ASSETS</b>		
Unrestricted net assets		
Unrestricted	1,519,929	1,247,215
Board designated	<u>31,146</u>	<u>26,725</u>
	1,551,075	1,273,940
Temporarily restricted net assets	<u>221,556</u>	<u>214,849</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,772,631</u></b>	<b><u>1,488,789</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,246,519</u></b>	<b><u>\$ 3,476,900</u></b>

DESTINATION IMAGINATION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30,

The accompanying notes are an integral part of these financial statements.

	2012		2011	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 136,356	\$ 5,386	\$ 55,406	\$ 16,292
Grants	-	447,800	200,000	281,000
Team fees	1,204,333	-	1,215,674	-
Global Finals	7,924,967	-	6,844,268	-
Product revenue	32,657	-	176,845	-
Custom programming	11,122	-	864,807	-
Other revenue	13,360	-	6,111	-
Investment income	5,578	-	15,479	-
Net realized gains on investments	174	-	-	-
Net assets released from restrictions	446,479	(446,479)	454,426	(454,426)
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>9,775,026</b>	<b>6,707</b>	<b>9,833,016</b>	<b>(157,134)</b>
<b>EXPENSES</b>				
Program	8,751,312	-	8,543,982	-
Management and general	691,864	-	762,446	-
Fundraising	54,715	-	146,620	-
Net unrealized losses on investments	-	-	2,627	-
<b>TOTAL EXPENSES</b>	<b>9,497,891</b>	<b>-</b>	<b>9,455,675</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>277,135</b>	<b>6,707</b>	<b>377,341</b>	<b>(157,134)</b>
<b>NET ASSETS, beginning of year</b>	<b>1,273,940</b>	<b>214,849</b>	<b>896,599</b>	<b>371,983</b>
<b>NET ASSETS, end of year</b>	<b>\$ 1,551,075</b>	<b>\$ 221,556</b>	<b>\$ 1,273,940</b>	<b>\$ 214,849</b>

DESTINATION IMAGINATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The accompanying notes are an integral part of these financial statements.

	PROGRAM SERVICES	MANAGEMENT and GENERAL	FUND RAISING	TOTAL
Salaries	\$ 880,436	\$ 371,972	\$ 46,217	\$ 1,298,625
Employee benefits	67,191	26,446	2,886	96,523
Payroll taxes	86,092	26,352	3,009	115,453
<b>TOTAL SALARIES AND BENEFITS</b>	<b>1,033,719</b>	<b>424,770</b>	<b>52,112</b>	<b>1,510,601</b>
Advertising and exhibits	825	-	-	825
Bad debts	15	-	-	15
Board of directors expense	6,627	26,507	-	33,134
Conferences	5,613	-	-	5,613
Consulting fees	196,181	84,473	-	280,654
Global finals direct expenses	6,371,520	-	-	6,371,520
Insurance	58,771	28,634	452	87,857
Interest expense	40,027	3,518	320	43,865
Occupancy	79,202	6,961	634	86,797
Office	85,127	26,676	105	111,908
Postage	59,979	3,045	-	63,024
Professional fees	66,218	32,616	760	99,594
Program development and design	27,629	-	-	27,629
Program expenses	221,888	7,616	-	229,504
Program support materials	141,024	5,753	-	146,777
Rebates	119,179	-	-	119,179
Scholarships	14,000	-	-	14,000
Software	6,077	88	-	6,165
Telephone	29,398	1,320	-	30,718
Travel	135,036	12,989	-	148,025
	<b>7,664,336</b>	<b>240,196</b>	<b>2,271</b>	<b>7,906,803</b>
Loss on disposal of assets	4,659	518	-	5,177
Depreciation	47,594	26,292	324	74,210
Amortization	1,004	88	8	1,100
<b>TOTAL EXPENSES</b>	<b>\$ 8,751,312</b>	<b>\$ 691,864</b>	<b>\$ 54,715</b>	<b>\$ 9,497,891</b>

DESTINATION IMAGINATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The accompanying notes are an integral part of these financial statements.

	PROGRAM SERVICES	MANAGEMENT and GENERAL	FUND RAISING	TOTAL
Salaries	\$ 908,401	\$ 463,858	\$ 128,371	\$ 1,500,630
Employee benefits	30,722	19,809	3,085	53,616
Payroll taxes	88,377	29,644	7,528	125,549
<b>TOTAL SALARIES AND BENEFITS</b>	<u>1,027,500</u>	<u>513,311</u>	<u>138,984</u>	<u>1,679,795</u>
Advertising and exhibits	16,915	275	-	17,190
Bad debts	-	-	-	-
Board of directors expense	12,990	51,958	-	64,948
Conferences	5,032	-	-	5,032
Consulting fees	308,740	23,004	-	331,744
Global finals direct expenses	5,670,327	-	-	5,670,327
Insurance	52,276	28,571	554	81,401
Interest expense	53,656	4,605	396	58,657
Occupancy	78,119	6,704	576	85,399
Office	86,082	26,003	325	112,410
Postage	81,176	1,806	-	82,982
Professional fees	43,938	41,540	1,535	87,013
Program development and design	(11,542)	-	-	(11,542)
Program expenses	342,596	15,383	-	357,979
Program support materials	138,330	1,097	-	139,427
Rebates	137,743	-	-	137,743
Scholarships	7,500	-	-	7,500
Software	10,625	-	-	10,625
Telephone	28,496	2,805	-	31,301
Travel	401,916	16,238	3,974	422,128
	<u>7,464,915</u>	<u>219,989</u>	<u>7,360</u>	<u>7,692,264</u>
Loss on disposal of assets	11,249	1,250	-	12,499
Depreciation	39,311	27,810	269	67,390
Amortization	1,007	86	7	1,100
<b>TOTAL EXPENSES</b>	<u>\$ 8,543,982</u>	<u>\$ 762,446</u>	<u>\$ 146,620</u>	<u>\$ 9,453,048</u>

DESTINATION IMAGINATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30,

The accompanying notes are an integral part of these financial statements.

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 283,842	\$ 220,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,310	68,490
Unrealized losses on investments	-	2,627
Realized losses on investments	174	-
Loss on disposition of property and equipment	5,177	12,499
(Increase) decrease in:		
Accounts receivable	45,662	72,289
Inventory and prepaid expenses	(45,721)	(37,261)
Deposits	10,738	(10,350)
Increase (decrease) in:		
Accounts payable	(155,821)	119,240
Accrued expenses	53,587	(83,156)
Other liabilities	10,109	(13,979)
Deferred revenue	(2,617)	(186,582)
<b>Net cash provided by operating activities</b>	<u>280,440</u>	<u>164,024</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	178,896	-
Purchase of long-term investments	(2,390)	(6,465)
Purchase of property and equipment	(100,890)	(47,017)
<b>Net cash provided (used) by investing activities</b>	<u>75,616</u>	<u>(53,482)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(181,729)	(4,852)
Payments on long-term borrowings	(237,752)	(35,141)
Decrease (increase) in restricted cash	-	100,014
<b>Net cash (used) provided by financing activities</b>	<u>(419,481)</u>	<u>60,021</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(63,425)</u>	<u>170,563</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>1,217,555</u>	<u>1,046,992</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,154,130</u>	<u>\$ 1,217,555</u>
Supplemental disclosures of cash payments made:		
Interest	\$ 43,865	\$ 58,657
Taxes	\$ -	\$ -

## NATURE OF ACTIVITIES AND CREDIT CONCENTRATION

DESTINATION IMAGINATION, INC. is a nonprofit organization exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Destination Imagination, Inc. values and nurtures creativity. Through its activities, the Organization provides for the fullest development of human, creative, intellectual, social, artistic and psychological ability by organizing and managing educational and human service programs.

The Organization grants credit to members who are educational institutions, state affiliations, community groups, or foreign affiliates located worldwide.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of Destination Imagination, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

### Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

### Affiliates

The financial statements do not include the assets, liabilities, and results of operations of affiliates since such affiliates are autonomous and are treated as independent.

### Inventory

Inventory consisting of awards, certificates, educational books, videos, and souvenirs is carried at the lower of cost or market determined by the first-in, first-out method.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed. Renewals and betterments that materially extend the life of the assets are capitalized. Asset impairments are recorded when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Depreciation is provided for using the straight-line method for financial reporting purposes. The estimated useful lives of the assets are as follows:

Building	40 years
Building improvements	10-40 years
Furniture, fixtures and equipment	5-8 years
Vehicles	5 years

### Loan Fees

Loan fees relating to the mortgages are being amortized over the life of the related loans. Amortization for both of the years ending September 30, 2012 and 2011 is \$1,100.

### Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (continued)**

Temporary restricted net assets as of September 30, 2012 and 2011 consist of the following:

	2012	2011
3M Foundation	\$ 60,000	\$ 60,000
Motorola Foundation	157,083	92,047
Ameresco Canada, Inc.	-	50,000
Other	4,473	12,802
	<u>\$ 221,556</u>	<u>\$ 214,849</u>

Income from team registrations are deferred and recognized over the periods to which they relate.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising**

The Organization follows the policy of charging the costs of advertising to expense as incurred.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Contributed and Volunteered Services**

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1 inputs:* Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- *Level 2 inputs:* Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3 inputs:* Level 3 inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

Fair values of assets measured on a recurring basis at September 30, 2012 and 2011 are:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments at fair value:				
September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
September 30, 2011				
Short-term bond fund	\$ 105,492	\$ 105,492	\$ -	\$ -
Intermediate bond fund	19,924	19,924	-	-
High yield bond fund	10,754	10,754	-	-
Intermediate government	40,510	40,510	-	-
	<u>\$ 176,680</u>	<u>\$ 176,680</u>	<u>\$ -</u>	<u>\$ -</u>

**INVESTMENTS**

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the years ended September 30, 2012 and 2011 are reported in net appreciation in fair value of investments.

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2012	2011
Land	\$ 222,814	\$ 222,814
Buildings	1,182,975	1,182,975
Building improvements	86,333	121,572
Furniture, fixtures and equipment	300,461	278,266
Vehicle	32,521	-
	<u>1,825,104</u>	<u>1,805,627</u>
Less: Accumulated depreciation	<u>258,790</u>	<u>260,816</u>
	<u>\$ 1,566,314</u>	<u>\$ 1,544,811</u>

**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 contributes 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 if they wish. The Organization's contributions for the years ended September 30, 2012 and 2011 amounted to \$43,021 and \$36,965, respectively.

**NOTE PAYABLE**

The note payable to Fulton Bank of New Jersey had required 240 monthly payments of \$1,455.76 which included interest at 6.75% for the initial five year period. This note was secured by mortgages on real estate, and was paid in full in December 2011.

**REVOLVING LINE OF CREDIT**

The Organization has a revolving line of credit available in the amount of \$200,000 and \$49,000 for the years ending September 30, 2012 and 2011, respectively. Advances on are payable on demand and carry an interest rate of prime or 4.00% whichever is higher. The credit line is secured by the Organization's land and building in Glassboro, NJ. And there was no outstanding balance at September 30, 2012 or 2011.

**MORTGAGES PAYABLE**

The Organization is obligated to Fulton Bank of New Jersey under a commercial mortgage in the original aggregate amount of \$990,000. The New Jersey Economic Development Authority (NJEDA) has agreed to participate in this mortgage in the amount of \$495,000.

The mortgage obligation to Fulton Bank of New Jersey required 300 monthly payments of \$3,291.91 which include interest at 6.25% for the initial five year period. After the initial term, unless renegotiated by the Organization and Fulton Bank of New Jersey, the interest rate will be a variable rate of one percent per annum over the Wall Street Journal Prime with a floor rate of 5%. This mortgage was modified in January 2012 adjusting the interest to 5.25% for a period of five years with monthly payments of \$3,007.23. Fulton Bank of New Jersey has the option to call this mortgage on each five year anniversary. If not called, it will mature September 2034. Within this mortgage are covenants which must be met by the Organization. The mortgage also stipulates penalties for prepayment of the obligation.

The mortgage obligation to the NJEDA requires 60 monthly payments of \$3,521.68 which includes interest at 3.43% and matures September 2014.

The underlying real estate serves as collateral for these commercial mortgages.

The two mortgages listed above were again modified in November 2012 and consolidated into one monthly payment of \$4,160.13 due to Fulton Bank of New Jersey which includes interest at 4.00% for the initial five year period. After the initial term, unless renegotiated by the Organization and Fulton Bank of New Jersey, the interest rate will be a variable rate of .75% per annum over The Wall Street Journal prime rate with a 4.00% floor. Fulton Bank of New Jersey has the option to call this mortgage on each five year anniversary. If not called, it will mature November 2032.

**MORTGAGES PAYABLE (CONTINUED)**

Maturities of this mortgage is as follows:

For the years ending September 30,	
2013	\$ 20,922
2014	23,730
2015	24,697
2016	25,703
2017	26,751
Thereafter	<u>564,696</u>
	<u>\$ 686,499</u>

**INCOME TAX STATUS**

The Organization is exempt from federal income tax (except taxes on unrelated business income, if any) under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended September 30, 2012 and 2011 since the Organization had no taxable income from unrelated business activities.

The Organization performed an evaluation of uncertain tax positions for the year ended September 30, 2012 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of September 30, 2012, the statute of limitations for tax years 2008 and later remains open with the U.S. federal jurisdiction or the state in which the Organization files tax returns. It is the Organization's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense.

**GLOBAL FINALS**

The Organization holds an annual Global Finals tournament. Revenues and expenses of this tournament for the years ending September 30, 2012 and 2011 are as follows:

	2012	2011
<b>Revenues</b>		
Housing and registration	\$ 7,510,163	\$ 6,500,733
Sponsorships and contributions	27,000	21,825
Souvenir sales	197,854	162,179
Special events and transfers	<u>189,950</u>	<u>159,531</u>
	<u>7,924,967</u>	<u>6,844,268</u>
<b>Expenses</b>		
Awards	18,671	25,635
Consulting	25,381	70,900
Housing and registration	5,198,163	4,640,058
Program and video expense	823,022	678,774
Salaries - bonus and overtime	22,595	50,924
Souvenir purchases	112,382	74,045
Special events and transfers	<u>171,306</u>	<u>129,991</u>
	<u>6,371,520</u>	<u>5,670,327</u>
	<u>\$ 1,553,447</u>	<u>\$ 1,173,941</u>

**COMMITMENTS AND CONTINGENCIES**

The National Dairy Council had agreed to be a sponsor for the Organization and provide additional monies for projects. Under the terms of this agreement, including amendments, the Council was to provide \$750,000 for sponsorship and \$444,050 for projects over a three year period. This agreement was terminated one year early in July 2012. The Organization received \$0 and \$250,000 for the years ended September 30, 2012 and 2011, respectively.

The Organization has contracted to hold Global Finals through 2015 at the University of Tennessee. Either party can terminate these contracts. Under certain circumstances cancellation fees would apply.

The Organization has entered into an agreement of sale dated October 2012 for the Glassboro property which was the former headquarters. The sales price is \$190,000, and the settlement date is anticipated to be November 29, 2012.

DESTINATION IMAGINATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS  
OF INSURED LIMITS**

The Organization maintains cash balances at several financial institutions. Cash in these accounts at times exceeds \$250,000. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Non-interest bearing accounts are fully insured by the FDIC. As of September 30, 2012 and 2011 the uninsured balance was \$248,478 and \$0 respectively.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 16, 2012, the date the financial statements were available to be issued.

# Teaching the Creative Process: from Imagination to Innovation



LEARN MORE AT  
[DESTINATION IMAGINATION.ORG](https://www.destinationimagination.org)