

**DISTRIBUTIVE EDUCATION CLUBS OF AMERICA, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

# Distributive Education Clubs of America, Inc.

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## Independent Auditor's Report

To the Board of Directors  
**Distributive Education Clubs of America, Inc.**  
1908 Association Drive  
Reston, Virginia 20191

### *Opinion*

We have audited the accompanying financial statements of **Distributive Education Clubs of America, Inc.** (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2022 and 2021, and the related Statements of Activities and Changes in Net Assets, 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 **Distributive Education Clubs of America, Inc.** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 **Distributive Education Clubs of America, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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 **Distributive Education Clubs of America, Inc.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## Independent Auditor's Report (Continued)

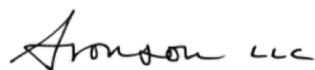
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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 **Distributive Education Clubs of America, 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 **Distributive Education Clubs of America, 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.



Rockville, Maryland  
December 9, 2022

## Distributive Education Clubs of America, Inc.

### Statements of Financial Position

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,399,972	\$ 3,616,467
Investments	5,393,617	6,113,421
Accounts receivable, net	750,131	299,003
Prepaid expenses	129,312	65,388
Inventory	452,671	602,392
Property and equipment, net	594,696	320,731
<b>Total assets</b>	<b>\$ 10,720,399</b>	<b>\$ 11,017,402</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 428,133	\$ 277,372
Accrued expenses	382,124	372,563
Sales tax payable	76,149	60,858
Loans payable	-	675,000
Deferred revenue	120,263	98,470
<b>Total liabilities</b>	<b>1,006,669</b>	<b>1,484,263</b>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	8,235,531	8,379,587
Board designated	657,994	621,876
With donor restrictions	820,205	531,676
<b>Total net assets</b>	<b>9,713,730</b>	<b>9,533,139</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,720,399</b>	<b>\$ 11,017,402</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Distributive Education Clubs of America, Inc.

### Statement of Activities and Changes in Net Assets

<i>Year Ended June 30, 2022</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
Educational services	\$ 3,354,574	\$ -	\$ 3,354,574
Shop DECA sales	1,419,916	-	1,419,916
Membership dues	1,407,895	-	1,407,895
Publications	145,250	-	145,250
Contributions	88,649	-	88,649
PPP loan forgiveness	675,000	-	675,000
Other income	21,381	-	21,381
Rental income	12,000	-	12,000
Net investment loss	(719,803)	-	(719,803)
Loss on disposal of property and equipment	(16,239)	-	(16,239)
Contributions - other projects	-	640,250	640,250
Contributions - educational services	-	479,771	479,771
Contributions - publications	-	49,362	49,362
Net assets released from restrictions	880,854	(880,854)	-
<b>Total revenue and support</b>	<b>7,269,477</b>	<b>288,529</b>	<b>7,558,006</b>
<b>Expenses</b>			
Program services:			
Educational services	5,360,266	-	5,360,266
Supporting services:			
Management and general	1,416,250	-	1,416,250
Fundraising	600,899	-	600,899
<b>Total supporting services</b>	<b>2,017,149</b>	<b>-</b>	<b>2,017,149</b>
<b>Total expenses</b>	<b>7,377,415</b>	<b>-</b>	<b>7,377,415</b>
<b>Change in net assets</b>	<b>(107,938)</b>	<b>288,529</b>	<b>180,591</b>
<b>Net assets, beginning of year</b>	<b>9,001,463</b>	<b>531,676</b>	<b>9,533,139</b>
<b>Net assets, end of year</b>	<b>\$ 8,893,525</b>	<b>\$ 820,205</b>	<b>\$ 9,713,730</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Distributive Education Clubs of America, Inc.

### Statement of Activities and Changes in Net Assets

<i>Year Ended June 30, 2021</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
Educational services	\$ 1,154,014	\$ -	\$ 1,154,014
Shop DECA sales	796,611	-	796,611
Membership dues	1,203,142	-	1,203,142
Publications	151,350	-	151,350
Contributions	96,493	-	96,493
Other income	27,159	-	27,159
Net investment income	1,136,960	-	1,136,960
Contributions - other projects	-	643,000	643,000
Contributions - educational services	-	157,450	157,450
Contributions - publications	-	9,100	9,100
Net assets released from restrictions	831,052	(831,052)	-
<b>Total revenue and support</b>	<b>5,396,781</b>	<b>(21,502)</b>	<b>5,375,279</b>
<b>Expenses</b>			
Program services:			
Educational services	2,365,102	-	2,365,102
Supporting services:			
Management and general	1,593,924	-	1,593,924
Fundraising	634,281	-	634,281
<b>Total supporting services</b>	<b>2,228,205</b>	<b>-</b>	<b>2,228,205</b>
<b>Total expenses</b>	<b>4,593,307</b>	<b>-</b>	<b>4,593,307</b>
<b>Change in net assets</b>	<b>803,474</b>	<b>(21,502)</b>	<b>781,972</b>
<b>Net assets, beginning of year</b>	<b>8,197,989</b>	<b>553,178</b>	<b>8,751,167</b>
<b>Net assets, end of year</b>	<b>\$ 9,001,463</b>	<b>\$ 531,676</b>	<b>\$ 9,533,139</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Distributive Education Clubs of America, Inc.

### Statement of Functional Expenses

<i>Year Ended June 30, 2022</i>	Educational Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 619,121	\$ 664,932	\$ 287,847	\$ <b>1,571,900</b>
Professional services	67,360	355,371	-	<b>422,731</b>
Printing, publications and promotions	147,383	26,675	-	<b>174,058</b>
Postage, mailing and shipping	152,086	9,695	151	<b>161,932</b>
Occupancy, maintenance and insurance	-	217,048	-	<b>217,048</b>
Conference, meetings and travel	4,167,872	20,668	276,509	<b>4,465,049</b>
Supplies, telecom and internet	79,467	100,381	35,450	<b>215,298</b>
Bad debt expense	23,930	5,507	-	<b>29,437</b>
Damaged/Obsolete merchandise	5,994	-	-	<b>5,994</b>
Other expenses	97,053	15,973	942	<b>113,968</b>
<b>Total expenses</b>	<b>\$ 5,360,266</b>	<b>\$ 1,416,250</b>	<b>\$ 600,899</b>	<b>\$ 7,377,415</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## Distributive Education Clubs of America, Inc.

### Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	Educational Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 629,476	\$ 796,128	\$ 328,412	\$ 1,754,016
Professional services	1,563	387,564	-	389,127
Printing, publications and promotions	59,377	40,666	-	100,043
Postage, mailing and shipping	209,099	10,677	35	219,811
Occupancy, maintenance and insurance	-	188,897	-	188,897
Conference, meetings and travel	1,379,596	2,239	216,301	1,598,136
Supplies, telecom and internet	24,295	92,850	87,638	204,783
Bad debt expense	-	13,398	-	13,398
Damaged/Obsolete merchandise	-	39,611	-	39,611
Other expenses	61,696	21,894	1,895	85,485
<b>Total expenses</b>	<b>\$ 2,365,102</b>	<b>\$ 1,593,924</b>	<b>\$ 634,281</b>	<b>\$ 4,593,307</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Distributive Education Clubs of America, Inc.

### Statements of Cash Flows

<i>Years Ended June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 180,591	\$ 781,972
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</b>		
Depreciation	57,440	52,333
Net unrealized and realized loss (gain) on investments	860,739	(1,060,309)
Loss on disposal of property and equipment	16,239	-
Paycheck Protection Program loan forgiveness	(675,000)	-
<b>(Increase) decrease in:</b>		
Accounts receivable, net	(451,128)	(72,814)
Prepaid expenses	(63,924)	306,969
Inventory	149,721	(117,880)
<b>Increase (decrease) in:</b>		
Accounts payable	150,761	(78,480)
Accrued expenses	9,561	(12,246)
Sales tax payable	15,291	4,427
Deferred revenue	21,793	52,320
<b>Net cash provided (used) by operating activities</b>	<b>272,084</b>	<b>(143,708)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(347,644)	-
Purchases of investments	(12,880,759)	(5,023,489)
Proceeds from the sale of investments	12,739,824	4,946,837
<b>Net cash used by investing activities</b>	<b>(488,579)</b>	<b>(76,652)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans payable	-	300,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>300,000</b>
<b>Net change in cash and cash equivalents</b>	<b>(216,495)</b>	<b>79,640</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,616,467</b>	<b>3,536,827</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,399,972</b>	<b>\$ 3,616,467</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for taxes	\$ 83	\$ 27

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

### 1. Organization and significant accounting policies

**Organization:** Distributive Education Clubs of America, Inc. (“DECA Inc.” or the “Organization”) is a nonprofit student organization incorporated in the Commonwealth of Virginia. DECA Inc. prepares emerging leaders and entrepreneurs currently in high school and college for future careers in marketing, finance, hospitality, and management.

DECA Inc. accomplishes its mission by providing the following educational services program activities:

DECA Inc. provides educational programs to high school and college students around the globe through its various conferences, competitive events, publications, and resource materials. DECA Inc. is organized into two unique student divisions, the High School Division and Collegiate DECA Inc., each with programs designed to address the learning styles, interests, and focus of its members. DECA Inc.’s student members leverage their DECA Inc. experience to become academically prepared, community oriented, professionally responsible, and experienced leaders.

DECA Inc. enhances the preparation for college and careers by providing co-curricular educational programs that integrate into classroom instructions, applying learning in the context of business, connecting to businesses and the community, and promoting competition. DECA Inc. sponsors conferences and competitive events each year to bring the high school and Collegiate DECA Inc. members into the larger DECA Inc. community while providing unique opportunities to extend classroom learning. DECA Inc. also awards scholarships to students in various fields.

Performance improvement tools and resources for chapter advisors ensure effective use of DECA Inc.’s comprehensive learning program designed to enhance student achievement. DECA Inc.’s professional network also allows DECA Inc. advisors to share resources and ideas among colleagues and enhance their skills through advisor professional development.

DECA Inc.’s business partners provide strategic advice on organizational policy, professional insight on content, and crucial financial support for programming. Some of DECA Inc.’s business partners participate on its National Advisory Board. These partners enhance the classroom experience by providing “real world” applications to learning.

**Basis of presentation:** The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to the following net asset classifications:

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

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**Net assets without donor restrictions - undesignated:** Net assets without donor restrictions include those net assets whose use is not restricted by donors or not designated by the Board of Directors.

**Net assets without donor restrictions - designated:** The Board of Directors has designated a portion of net assets without donor restrictions to be set aside for contingencies and to establish financial reserves. Board designated net assets also include scholarship matches by the Board and special projects the Board decides to pursue, including administration development projects. These funds may not be expended for general operations without the specific authorization of the Board of Directors.

**Net assets with donor restrictions – time or purpose:** Net assets with donor restrictions include those net assets subject to donor-imposed restrictions that are met either by actions of DECA Inc. and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimated and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Tax status:** DECA Inc. is exempt from the payment of income taxes on its exempt activities under section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue Service. DECA Inc. is subject to tax on revenue generated from sources unrelated to its exempt purpose. DECA Inc. generated unrelated business income of \$685,600 and \$322,802 for the years ended June 30, 2022 and 2021, respectively. DECA Inc. incurred \$83 and \$27 in unrelated business income taxes for the years ended June 30, 2022 and 2021, respectively.

DECA Inc. evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of June 30, 2022 and 2021, there were no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from June 30, 2019 through the current year remain open for examination by federal and state tax authorities.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

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**Cash and cash equivalents:** For financial statement purposes, DECA, Inc. considers cash held in overnight investment accounts and money market accounts to be cash equivalents. Funds that are held in the professionally managed accounts are reported with investments.

DECA Inc. maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. DECA Inc. believes it is not exposed to any significant financial risk on cash and cash equivalents.

**Investments:** DECA Inc. records its investments at fair value. The adjustment to reflect changes in the fair value of investments is included in the statements of activities as a component of net investment income. Interest is recorded when earned. Dividends are recorded at the ex-dividend date. Net appreciation or depreciation in fair value of investments includes gains and losses on investments bought and sold, as well as held during the year.

**Accounts receivable:** Accounts receivable consists of amounts due to DECA Inc. for membership dues, hotel rebates, commissions from DECA Inc. conferences, and Shop DECA transactions that are partially paid or unpaid. Management periodically reviews outstanding receivables and, if deemed necessary, creates an allowance for the receivables deemed uncollectible. The allowance for doubtful accounts was \$53,439 and \$24,825 at June 30, 2022 and 2021, respectively. Bad debt expense was \$29,437 and \$13,398 for the years ended June 30, 2022 and 2021, respectively.

**Inventory:** Inventory, which consists of educational and promotional materials, is stated at the lower of cost or net realizable value using the first-in, first-out method. Management established a reserve for any inventory deemed to be not salable or obsolete by identifying nonmarketable items and by using historical experience applied to recent sales. An inventory loss provision totaling \$5,995 and \$39,611 was recorded for the years ending June 30, 2022 and 2021, respectively.

**Property and equipment:** Property and equipment are recorded at cost. DECA Inc. capitalizes all expenditures for property and equipment over \$2,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred.

**Impairment of long-lived assets:** The Organization reviews long-lived assets for impairment whenever events or circumstances warrant such a review. A long-lived asset is considered impaired if the sum of the asset's future anticipated undiscounted cash flows are less than its carrying value. In that event, a loss is recognized to the extent the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated future cash flows discounted at a rate commensurate with the risk involved. For the years ended June 30, 2022 and 2021, management does not believe any long-lived assets are impaired.

**Revenue recognition (exchange transactions):** DECA Inc. applies Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606) to certain revenue. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

**Membership dues:** DECA Inc. offers memberships to various collegiate and high school organizations. Membership dues are payable in advance of the membership period. Revenue is recognized ratably over the membership term as members simultaneously receive and consume the benefits of membership.

**Shop DECA sales:** DECA Inc. has an online shop where it sells professional apparel, publications, and other miscellaneous merchandise. Payment is typically required at the point of sale, however, certain customers are able to pay in arrears. Revenue is recognized at the point in time when purchased goods are delivered to the customer.

**Educational services:** DECA Inc. hosts a variety of leadership, career development, and competitive events catered towards high school and college students. Event attendees must pay an attendance fee in advance of the event. Revenue is recognized at the point in time when the event takes place. DECA, Inc. also offers sponsorship opportunities at such events to various private organizations. In exchange for an agreed upon fee, sponsors receive advertising space for their organization at the sponsored event. Fees must be paid in advance. Revenue associated with sponsorships is recognized when the event takes place.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**Publications:** DECA Inc. produces online magazines, weekly emails, and an annual resource guide that includes advertisements for customers. In exchange for an agreed upon fee, the customers can have advertisements for their business included in the publications. Fees must be paid in advance and are non-refundable. Revenue is recognized at the point in time the publication is published.

**Contract balances:** Accounts receivable include billed amounts related to services provided to customers. Contract liabilities include amounts paid by customers for which services have not yet been provided and are included in deferred revenue. These balances are the result of timing differences between when revenue is recognized and when the related payments are received. Balances relating to contracts with customers were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>July 1, 2020</u>
<b>Accounts receivable, net</b>	\$ 750,131	\$ 299,003	\$ 226,189
<b>Deferred revenue</b>	120,263	98,470	46,150

**Contract costs:** Costs to fulfill Shop DECA sales include fulfillment costs and allocated overhead. Costs to fulfill Educational services include venue costs, information technology, direct salaries and fringe benefits, supplies, allocated overhead, and other miscellaneous costs. Costs to fulfill publications contracts include printing costs, direct salaries and fringe benefits, allocated overhead, and other miscellaneous costs.

**Contributions:** DECA Inc. assesses all revenue agreements and sources for classification as an exchange transaction or contribution. Revenue is classified as a contribution if the funder does not receive direct commensurate value from DECA Inc.

Contributions are recognized as revenue when they are unconditionally funded. Contributions are reported as with donor restrictions if they are subject to time or donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is accomplished, or both. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. During the years ended June 30, 2022 and 2021, 82% and 84% of total contributions came from two donors, respectively.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**Functional allocation of expenses:** The costs of providing various programs and related supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Professional services	Time and effort
Printing, publications and promotions	Time and effort
Postage, mailing and shipping	Time and effort
Occupancy, maintenance and insurance	Time and effort
Conference, meetings and travel	Time and effort
Supplies, telecom and internet	Time and effort
Other expenses	Time and effort

**Risks and uncertainties:** The Organization invests in a professionally managed portfolio that contains various securities which are exposed to various risks, such as interest rate and market volatility risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investment balances reported in the Statements of Financial Position.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of the pandemic on its operations. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on its donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustment relating to the effects of this pandemic.



# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**Recent accounting pronouncements not yet adopted:** In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which supersedes the existing lease accounting standard and sets out principles for the recognition, measurement, presentation and disclosure of leases. Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease term in excess of twelve months. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expenses is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021. Entities are also allowed to choose to adopt the standard as of the original effective date. The Organization adopted this new standard as of July 1, 2022. The Organization is in the process of evaluating the impact from this new guidance.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through December 9, 2022, which is the date the financial statements were available to be issued.

### 2. Liquidity and availability of resources

The following represents the Organization’s financial assets at June 30:

	2022	2021
Cash and cash equivalents	\$ 3,399,972	\$ 3,616,467
Investments	5,393,617	6,113,421
Accounts receivable, net	750,131	299,003
<b>Total financial assets</b>	<b>9,543,720</b>	<b>10,028,891</b>
Less amounts not available for general expenditure:		
Agency funds payable	(48,646)	(55,339)
Investments	(5,393,617)	(6,113,421)
Add back investments available for spending within one year	221,637	203,245
Net assets without donor restrictions - board designated	(657,994)	(621,876)
Net assets with donor restrictions	(820,205)	(531,676)
Amounts not available for general expenditure	(6,698,825)	(7,119,067)
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 2,844,895</b>	<b>\$ 2,909,824</b>

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

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DECA Inc. has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. DECA Inc.'s working capital and cash flows come from the collection of membership dues, event sponsorships, and registrations that recur on an annual basis at various times through the year. Management is focused on sustaining the financial liquidity of DECA Inc. throughout the year. This is done through monitoring and reviewing DECA Inc.'s cash flow needs. As a result, management is aware of the cyclical nature of the DECA Inc.'s cash flow related to DECA Inc.'s various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs.

### 3. Investments and fair value

**Fair value:** The Organization values its investments in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There were no changes in the fair value measurement methodology for the years ended June 30, 2022 and 2021.

The fair value of assets measured at fair value on a recurring basis was as follows as of:

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

June 30, 2022	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities	\$ 2,210,257	\$ -	\$ -	\$ 2,210,257
Mutual funds	1,416,825	-	-	1,416,825
Exchange traded funds – fixed income	984,838	-	-	984,838
Fixed income securities	-	521,634	-	521,634
REITs	-	60,127	-	60,127
Investments carried at fair value	4,611,920	581,761	-	5,193,681
Cash deposits in brokerage accounts				199,936
<b>Total investments</b>	<b>\$ 4,611,920</b>	<b>\$ 581,761</b>	<b>\$ -</b>	<b>\$ 5,393,617</b>

June 30, 2021	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities	\$ 4,208,643	\$ -	\$ -	\$ 4,208,643
Mutual Funds	659,513	-	-	659,513
Exchange traded funds – fixed income	77,540	-	-	77,540
Fixed income securities	-	937,912	-	937,912
REITs	-	54,890	-	54,890
Investments carried at fair value	4,945,696	992,802	-	5,938,498
Investments, at cost: Money market funds				174,923
<b>Total investments</b>	<b>\$ 4,945,696</b>	<b>\$ 992,802</b>	<b>\$ -</b>	<b>\$ 6,113,421</b>

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

### 4. Property and equipment

Property and equipment consisted of the following as of June 30:

	2022	2021
Building and improvements	\$ 1,889,823	\$ 1,582,534
Computer equipment	248,746	238,168
Furniture and equipment	168,460	199,496
Land	56,532	56,532
Total	2,363,561	2,076,730
Less: Accumulated depreciation	(1,768,865)	(1,755,999)
<b>Property and equipment, net</b>	<b>\$ 594,696</b>	<b>\$ 320,731</b>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$57,440 and \$52,333, respectively and is included in occupancy, maintenance, and insurance expenses on the Statements of Functional Expenses.

### 5. Agency transactions

DECA Inc. holds funds received on behalf of state, local, and regional chapters. These funds are distributed at the direction of the respective chapters. Because DECA Inc. does not control the use of these funds, they are not reflected in revenue or expense on the accompanying Statements of Activities. Agency funds payable are included in accounts payable on the Statements of Financial Position, and consist of the following at June 30, 2022 and 2021:

	2022	2021
State dues	\$ 15,862	\$ 15,822
Northern region	22,315	19,930
Southern region	10,469	19,587
<b>Total</b>	<b>\$ 48,646</b>	<b>\$ 55,339</b>

### 6. Loans payable

In May 2020, DECA Inc. received a loan in the amount of \$375,000, pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan had a two-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments could be deferred for sixteen months after the date of disbursement. The PPP loan could have been prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. During 2021, DECA, Inc. applied for full forgiveness of the PPP loan. The Organization received full forgiveness of the PPP loan and accrued interest on July 28, 2021 and it was recorded as a contribution.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

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In March 2021, DECA Inc. received a second PPP loan in the amount of \$300,000, pursuant to the PPP and the CARES Act. The second PPP loan had a five-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments could be deferred for up to sixteen months after the date of disbursement. The second PPP loan could be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the second PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. During 2022, DECA, Inc. applied for full forgiveness of the second PPP loan. The Organization received full forgiveness of the second PPP loan and accrued interest on February 14, 2022 and it was recorded as a contribution.

DECA Inc. elected the treatment under ASC 460 – *Debt* to account for the receipt of the PPP loans. Accordingly, the PPP loans were initially recorded as liabilities. Upon notification of full loan forgiveness, the Organization recorded a contribution to reflect the nonreciprocal legal release of the obligation as required by ASC 958 – *Not-for-Profit Entities*.

- 7. Retirement Plan** DECA Inc. maintains a discretionary defined contribution retirement plan (“the Plan”) which covers all employees who have worked at least 1,000 hours, a minimum age requirement of 21, and have completed one year of service. Employees will be 25% vested in employer matching contributions after two years of service, with additional vesting of 25% each year thereafter (fully vested after five years of service). Employer contributions to the Plan totaled \$70,028 and \$84,552 for the years ended June 30, 2022 and 2021, respectively.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

- 8. Net assets with donor restrictions** Activity and balances associated with net assets with donor restrictions consisted of the following as of and for the years ended June 30:

	2021	Additions	Releases	2022
Scholarship Reserves	\$ 156,427	\$ -	\$ -	\$ 156,427
Building Fund	10,000	-	-	10,000
Ed Davis Scholarship	9,791	-	(5,000)	4,791
Brenda Clark Scholarship*	4,000	-	(500)	3,500
Western Region VP Scholarship	4,500	-	(750)	3,750
Central Region Scholarship VP	3,000	-	(500)	2,500
Southern Region Scholarship VP	1,692	3,308	(500)	4,500
Western Region Scholarship	5,000	-	(3,000)	2,000
Executive Officer Scholarship	237	-	-	237
Bob Foehlinger Scholarship	2,000	-	(500)	1,500
Pat Di Placido Scholarship	4,500	-	(500)	4,000
Ed Fleming Scholarship	-	5,000	(500)	4,500
Dr. Lynore Levenhagen Scholarship	-	1,950	-	1,950
Sonya Dismuke Scholarship	-	5,000	(500)	4,500
<b>Subtotal</b>	<b>201,147</b>	<b>15,258</b>	<b>(12,250)</b>	<b>204,155</b>
Business partner accounts	330,529	1,154,125	(868,604)	616,050
<b>Total</b>	<b>\$ 531,676</b>	<b>\$ 1,169,383</b>	<b>\$ (880,854)</b>	<b>\$ 820,205</b>

\*In 2022, the Central Regional Scholarship 2 was renamed as the Brenda Clark Scholarship.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

	2020	Additions	Releases	2021
Scholarship Reserves	\$ 163,427	\$ -	\$ (7,000)	\$ 156,427
Building Fund	-	10,000	-	10,000
Ed Davis Scholarship	9,791	-	-	9,791
Central Region Scholarship 2*	5,000	-	(1,000)	4,000
Western Region VP Scholarship	4,500	-	-	4,500
Central Region Scholarship VP	3,000	-	-	3,000
Southern Region Scholarship	2,192	-	(500)	1,692
Western Region Scholarship	1,500	5,000	(1,500)	5,000
Former National Officers	237	-	-	237
Bob Foehlinger Scholarship	2,000	-	-	2,000
Pat Di Placido Scholarship	-	5,000	(500)	4,500
Subtotal	191,647	20,000	(10,500)	201,147
Business partner accounts	361,531	789,550	(820,552)	330,529
Total	\$ 553,178	\$ 809,550	\$ (831,052)	\$ 531,676

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**9. Board designated net assets**

Board designated net assets consist of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Legal Fund	\$ 199,994	\$ 399,994
Building Fund	342,918	142,918
Strategy Fund	37,935	37,935
Disaster Fund	-	6,000
Executive Officers	-	6,000
Bob Foehlinger Scholarship	4,500	5,000
Pat Di Placido Scholarship	4,000	4,500
Western Region Scholarship	2,500	4,500
Western Region VP Scholarship	3,750	4,500
Brenda Clark Scholarship	3,500	4,000
Central Region Scholarship	2,500	3,000
Southern Region Scholarship	2,000	2,000
Larry Lorenzi Scholarship	604	604
Ed Fleming Scholarship	3,000	500
Sonja Dismuke Scholarship	3,075	425
Discretionary Fund	6,000	-
Website Redesign	36,718	-
Dr. Lynore Levenhagen Scholarship	5,000	-
<b>Total</b>	<b>\$ 657,994</b>	<b>\$ 621,876</b>