

**DISTRIBUTIVE EDUCATION CLUBS OF AMERICA, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

# Distributive Education Clubs of America, Inc.

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## Independent Auditor’s Report

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

We have audited the accompanying financial statements of **Distributive Education Clubs of America, Inc.** (the “Organization”), which comprise the Statement of Financial Position as of June 30, 2021 and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year 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 accounting principles generally accepted in the United States of America; 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.

### *Auditor’s Responsibility*

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 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 auditor’s 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.

## Independent Auditor's Report (Continued)

### *Opinion*

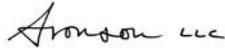
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Distributive Education Clubs of America, Inc.** as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, on July 1, 2020, **Distributive Education Clubs of America, Inc.** adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to this matter.

### *Prior Period Financial Statements*

The financial statements of **Distributive Education Clubs of America, Inc.** as of and for the year ended June 30, 2020, were audited by other auditors whose report dated April 7, 2021, expressed an unmodified opinion on those statements.



Rockville, Maryland  
January 13, 2022

## Distributive Education Clubs of America, Inc.

### Statements of Financial Position

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,616,467	\$ 3,536,827
Investments	6,113,421	4,976,460
Accounts receivable, net	299,003	226,189
Prepaid expenses	65,388	372,357
Inventory	602,392	484,512
Property and equipment, net	320,731	373,064
<b>Total assets</b>	<b>\$ 11,017,402</b>	<b>\$ 9,969,409</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 277,372	\$ 355,852
Accrued expenses	372,563	384,809
Sales tax payable	60,858	56,431
Loans payable	675,000	375,000
Deferred revenue	98,470	46,150
<b>Total liabilities</b>	<b>1,484,263</b>	<b>1,218,242</b>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	8,379,587	7,467,098
Board designated	621,876	730,891
With donor restrictions	531,676	553,178
<b>Total net assets</b>	<b>9,533,139</b>	<b>8,751,167</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,017,402</b>	<b>\$ 9,969,409</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 Activities and Changes in Net Assets

<i>Year Ended June 30, 2020</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
Educational services	\$ 1,821,353	\$ -	\$ 1,821,353
Shop DECA sales	1,106,958	-	1,106,958
Membership dues	1,780,850	-	1,780,850
Publications	132,619	-	132,619
Contributions	102,665	-	102,665
Other income	31,040	-	31,040
Net investment income	31,551	-	31,551
Contributions - other projects	-	766,293	766,293
Contributions - educational services	-	382,926	382,926
Contributions - publications	-	37,127	37,127
Net assets released from restrictions	901,614	(901,614)	-
<b>Total revenue and support</b>	<b>5,908,650</b>	<b>284,732</b>	<b>6,193,382</b>
<b>Expenses</b>			
Program services:			
Educational services	4,511,758	-	4,511,758
Supporting services:			
Management and general	1,492,717	-	1,492,717
Fundraising	723,444	-	723,444
<b>Total supporting services</b>	<b>2,216,161</b>	<b>-</b>	<b>2,216,161</b>
<b>Total expenses</b>	<b>6,727,919</b>	<b>-</b>	<b>6,727,919</b>
<b>Change in net assets</b>	<b>(819,269)</b>	<b>284,732</b>	<b>(534,537)</b>
<b>Net assets, beginning of year</b>	<b>9,017,258</b>	<b>268,446</b>	<b>9,285,704</b>
<b>Net assets, end of year</b>	<b>\$ 8,197,989</b>	<b>\$ 553,178</b>	<b>\$ 8,751,167</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.

### Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	Educational Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,051,272	\$ 688,931	\$ 442,466	\$ 2,182,669
Professional services	1,969	576,513	855	579,337
Printing, publications and promotions	117,649	35,699	20,098	173,446
Postage, mailing and shipping	159,615	14,765	8,309	182,689
Occupancy, maintenance and insurance	108,825	85,829	47,141	241,795
Conference, meetings and travel	2,857,594	43,779	158,914	3,060,287
Supplies, telecom and internet	88,376	32,540	41,495	162,411
Bad debt expense	5,047	4,263	-	9,310
Other expenses	121,411	10,398	4,166	135,975
Total expenses	\$ 4,511,758	\$ 1,492,717	\$ 723,444	\$ 6,727,919

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>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 781,972	\$ (534,537)
<b>Adjustments to reconcile change in net assets to net cash used by operating activities</b>		
Depreciation	52,333	54,568
Net unrealized and realized (gain) loss on investments	(1,060,309)	31,228
<b>(Increase) decrease in:</b>		
Accounts receivable, net	(72,814)	588,142
Prepaid expenses	306,969	(294,871)
Inventory	(117,880)	(152,826)
<b>Increase (decrease) in:</b>		
Accounts payable	(78,480)	20,664
Accrued expenses	(12,246)	(52,579)
Sales tax payable	4,427	25,195
Deferred revenue	52,320	(11,770)
<b>Net cash used by operating activities</b>	<b>(143,708)</b>	<b>(326,786)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	(39,729)
Purchases of investments	(5,023,489)	(565,772)
Proceeds from the sale of investments	4,946,837	502,999
<b>Net cash used by investing activities</b>	<b>(76,652)</b>	<b>(102,502)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans payable	300,000	375,000
<b>Net cash provided by financing activities</b>	<b>300,000</b>	<b>375,000</b>
<b>Net change in cash and cash equivalents</b>	<b>79,640</b>	<b>(54,288)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,536,827</b>	<b>3,591,115</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,616,467</b>	<b>\$ 3,536,827</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for taxes	\$ 27	\$ 9,170

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 \$322,802 and \$634,684 for the years ended June 30, 2021 and 2020, respectively. DECA Inc. incurred \$27 and \$9,170 in unrelated business income taxes for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2018 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 \$24,825 and \$12,262 at June 30, 2021 and 2020, respectively. Bad debt expense was \$13,397 and \$9,311 for the years ended June 30, 2021 and 2020, 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 \$39,611 and \$0 was recorded for the years ending June 30, 2021 and 2020, respectively.

**Property and equipment:** Property and equipment are recorded at cost. DECA Inc. capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization are 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 and amortization are 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, 2021 and 2020, management does not believe any long-lived assets are impaired.

**Revenue recognition (exchange transactions):** DECA Inc. adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), on July 1, 2020. 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

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**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.

**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.

**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.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

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.

**Reclassifications:** Certain changes have been made to the prior year's format to conform to the current year's presentation.

**Deferred accounting pronouncement:** In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU No. 2016-02 was originally effective for the Organization on July 1, 2021. 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 No. 2016-02 to annual reporting periods beginning after December 15, 2021. The Organization plans to adopt ASU No. 2016-02 in accordance with the prescribed guidance effective July 1, 2022.

**Recently adopted accounting standards:** In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts made as a resource provider as either exchange transactions or contributions. The updated standard will be effective for resource providers for annual reporting periods beginning after December 15, 2019. The portion of the ASU for resource providers was adopted by DECA Inc. in 2021. Analysis of the various provisions of this standard resulted in no significant changes in DECA Inc.'s timing of recognition of contributions; however the presentation and disclosures of the financial statements have been enhanced.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related amendments, which superseded all prior revenue recognition methods and industry-specific guidance. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of control for promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue principles, an entity is required to identify the contract(s) with a customer, identify the performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognize revenue when the performance obligation is satisfied (i.e., either over time or point in time). Topic 606 further requires that companies disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Topic 606 provides companies an option of two transition methods, the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The ASU is effective for annual reporting periods beginning after December 15, 2018. However, in accordance with ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, DECA Inc. could now elect to follow the original effective date for Topic 606, or elect to adopt the guidance on July 1, 2020. Accordingly, effective July 1, 2020, DECA Inc. elected to adopt the requirements of Topic 606 using the modified retrospective method. The new revenue standard was applied to contracts that were not substantially completed as of July 1, 2020.

As part of the adoption of ASC 606, the Organization elected to use the following practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application.

The adoption of Topic 606 did not have a material impact on the timing or pattern of the DECA Inc.'s revenue recognition. For all types of contracts, revenue will continue to be recognized at a point in time or over time, and use the same measures of progress that were applicable under prior standards.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through January 13, 2022, which is the date the financial statements were available to be issued.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

### 2. Liquidity and availability of resources

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

	<b>2021</b>	2020
Cash and cash equivalents	\$ <b>3,616,467</b>	\$ 3,536,827
Investments	<b>6,113,421</b>	4,976,460
Accounts receivable, net	<b>299,003</b>	226,189
Total financial assets	<b>10,028,891</b>	8,739,476
Less amounts not available for general expenditure:		
Agency funds payable	<b>(55,339)</b>	(64,812)
Investments	<b>(6,113,421)</b>	(4,976,460)
Add back investments available for spending within one year	<b>203,245</b>	248,823
Net assets without donor restrictions - designated	<b>(621,876)</b>	(730,891)
Net assets with donor restrictions	<b>(531,676)</b>	(553,178)
Amounts not available for general expenditure	<b>(7,119,067)</b>	(6,076,518)
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 2,909,824</b>	\$ 2,662,958

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 registrations that recur on an annual basis at various times throughout 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.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**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, 2021 and 2020.

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

	<b>Fair Value Measurements Using</b>			<b>Total</b>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2021				
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
Cash deposits in brokerage accounts	174,923	-	-	174,923
<b>Total investments</b>	<b>\$ 5,120,619</b>	<b>\$ 992,802</b>	<b>\$ -</b>	<b>\$ 6,113,421</b>

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

Fair Value Measurements Using				
June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	\$ 2,753,533	\$ -	\$ -	\$ 2,753,533
Mutual Funds	614,012	-	-	614,012
Exchange traded funds – fixed income	860,920	-	-	860,920
Fixed income securities	99,880	-	-	99,880
REITs	-	56,380	-	56,380
Investments carried at fair value	4,328,345	56,380	-	4,384,725
Investments, at cost:				
Money market funds	591,735	-	-	591,735
<b>Total investments</b>	<b>\$ 4,920,080</b>	<b>\$ 56,380</b>	<b>\$ -</b>	<b>\$ 4,976,460</b>

#### 4. Property and equipment

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

	2021	2020
Building and improvements	<b>\$ 1,582,534</b>	\$ 1,582,534
Computer Equipment	<b>238,168</b>	238,168
Furniture and equipment	<b>199,496</b>	199,496
Land	<b>56,532</b>	56,532
<b>Total</b>	<b>2,076,730</b>	2,076,730
Less: Accumulated depreciation	<b>(1,755,999)</b>	(1,703,666)
<b>Property and equipment, net</b>	<b>\$ 320,731</b>	\$ 373,064

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$52,333 and \$54,568, respectively and is included in occupancy, maintenance, and insurance expenses on the Statements of Functional Expenses.

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

### 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, 2021 and 2020:

	2021	2020
State dues	\$ 15,822	\$ 25,295
Northern region	19,930	19,930
Southern region	19,587	19,587
<b>Total</b>	<b>\$ 55,339</b>	<b>\$ 64,812</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 has a two-year term and bears interest at a rate of 1.00% per annum. Monthly principal and interest payments are deferred for six 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 on July 28, 2021.

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 has a five-year term and bears interest at a rate of 1.00% per annum. Monthly principal and interest payments can be deferred for up to 34 months after the date of disbursement. The second PPP loan can 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. DECA Inc. plans to use the proceeds from the second PPP loan for qualifying expenses in accordance with the CARES Act and obtain full forgiveness. In the case forgiveness is not obtained, monthly principal and interest payments begin immediately in an amount solely determined by the lender.

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

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

**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 \$84,552 and \$100,042 for the years ended June 30, 2021 and 2020, respectively.

**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:

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

# Distributive Education Clubs of America, Inc.

## Notes to Financial Statements

	2019	Additions	Releases	2020
Scholarship Reserves	\$ 170,427	\$ -	\$ (7,000)	\$ 163,427
Ed Davis Scholarship	14,791	-	(5,000)	9,791
Central Region Scholarship 2	-	5,000	-	5,000
Western Region VP Scholarship	4,500	-	-	4,500
Central Region Scholarship VP	4,000	-	(1,000)	3,000
Southern Region Scholarship	2,692	-	(500)	2,192
Western Region Scholarship	2,500	-	(1,000)	1,500
Former National Officers	2,237	-	(2,000)	237
Bob Foehlinger Scholarship	2,000	-	-	2,000
	203,147	5,000	(16,500)	191,647
Business partner accounts	65,299	1,181,346	(885,114)	361,531
<b>Total</b>	<b>\$ 268,446</b>	<b>1,186,346</b>	<b>\$ (901,614)</b>	<b>\$ 553,178</b>

# 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, 2021 and 2020:

	2021	2020
Legal Fund	\$ 399,994	\$ 225,000
Building Fund	142,918	-
Strategy Fund	37,935	-
Disaster Fund	6,000	6,000
Executive Officers	6,000	15,000
Bob Foehlinger Scholarship	5,000	6,000
Pat Di Placido Scholarship	4,500	-
Western Region Scholarship	4,500	1,000
Western Region VP Scholarship	4,500	4,500
Brenda Clark Scholarship	4,000	5,000
Central Region Scholarship	3,000	4,000
Southern Region Scholarship	2,000	2,500
Larry Lorenzi Scholarship	604	604
Ed Fleming Scholarship	500	1,500
Sonja Dismuke Scholarship	425	1,425
Human Management Capital Fund	-	208,158
Search Committee	-	148,861
Visioning Panel – Niche Markets	-	15,350
Building Sale	-	13,893
Secondary Council	-	12,760
Strategic Plan Committee	-	12,203
Communications Strategy	-	12,121
Curriculum for Member Development	-	8,644
Cam Travel	-	8,300
Professional Development Advisory Board	-	6,632
Professional Learning Series	-	3,750
ED Travel	-	2,688
CE Task Force	-	2,625
Learning Management System	-	2,377
<b>Total</b>	<b>\$ 621,876</b>	<b>\$ 730,891</b>