



**IT'S ALL
ABOUT THE
TEAM!**

2007

ANNUAL REPORT

DESTINATION IMAGINATION INC.



Letter from the Board

Twenty five years of creative problem solving for Destination ImagiNation, Inc. and this is only the beginning. More and more often, people come to us because we are the "Creativity People." Our creative problem solving programs serve a diverse community, and our ability to help others develop programming allows us to grow while still supporting our core mission and vision.

This year the Destination ImagiNation program celebrates its 25th anniversary. With an extraordinary set of Challenges we are enjoying participation from teams in more places than ever before. In addition to a strong domestic program, we are enjoying dynamic growth in our International Affiliates. This is ever present at Global Finals where our teams gain a global perspective and get a greater exposure to the

creative world in which we live. Destination ImagiNation, Inc. continues to provide quality programming in education. We have improved and refined our community of programs and continue to provide best-in-class programs and curriculums proven to teach all aspects of creative problem-solving. While remaining dedicated to the education of the globe's youth, Destination ImagiNation, Inc. is focusing on new





opportunities for growth. Today's business community has started to seek out our organization to help foster creativity and innovative thinking. Destination ImagiNation, Inc. has broadened its scope and is training tomorrow's work force to be these innovators and creative problem solvers. Working with AEM (Association of Equipment Manufacturers), Destination ImagiNation has developed a program that is linking high school age teams with the construction equipment industry, making some of our most creative students aware of a vital industry rich in education and future employment

opportunities. This type of partnership is good for our teams and good for Destination ImagiNation, Inc.

Dlcor® continues to bring innovation to the highest levels of the business community. Dlcor offers continuing education opportunities to corporations teaching creative problem solving and providing businesses with the tools they need to succeed.

Destination ImagiNation, Inc. will continue to provide quality programming to enhance creativity, teamwork, and teach creative problem solving. The future of Destination

ImagiNation, Inc. rests in the capable hands of our community of volunteers, partners, and staff. We have many opportunities and challenges as we bring on new leadership that will help us redefine our role in the global community as we continue to provide creative programming far into the future.

Sincerely,

Andy W. Loftis
Board of Trustees, Chair

CHALLENGE DEVELOPMENT



DI Walks the Talk: It's All About the Team!

You could feel the excitement and energy - the place was buzzing! In June, 2006 the volunteer Team Challenge Development teams gathered in Knoxville, Tennessee to walk the DI talk. They came from all walks of life with one common passion and goal - to create 2007-08 Team Challenges that would intrigue, challenge, entertain and inspire our Destination ImagiNation participants. During the long weekend they worked in groups, large and small, and used creative problem solving tools to generate many concepts, to focus on the most promising ideas, and to begin the six-month Challenge development process.

Late that same summer the volunteer Instant Challenge Development team met to test the Challenges they had created throughout the year. As they worked on tweaking and perfecting the Challenges they learned and practiced, first hand, the teamwork and critical-thinking skills the DI Program teaches young people around the world.

In the fall, the first Affiliate Director/Affiliate Training Director conference was held so that the DI Directors could learn new skills, share best practices and achieve consistency in training and Tournaments. By the end of the weekend, the participants returned to

their Affiliates with new ideas, skills and energy.

At the same time this was happening, the volunteer International Challenge Masters were also working together on teams to create materials for the implementation of the 2006-07 Challenges. Their goals were fairness and consistency in the officiating of the Challenges around the world. To help achieve this, they were the leaders in their Challenge Forums. The Forums served all year as gathering places for the teams of Regional and Affiliate Challenge Masters from around the world so they could exchange information



and ask questions about the implementation of the Challenges. In this way, they became knowledgeable about the Challenges and rules and they became active members of the officiating teams that made the Tournaments a true celebration of the DI process. Tournaments were festivals where teams shared what they had learned and where every team and solution was honored and celebrated.

Throughout the fall and winter teams of participants asked for Team Clarifications, submitting more than 1,100 questions about the Challenges and rules through the Destination ImagiNation Web page. These questions

were answered promptly, accurately, and with humor and great kindness by the International Challenge Masters.

As spring blossomed, Regional and Affiliate Tournaments were celebrated around the world. More international Affiliates than ever before were active in DI and the number of teams increased tremendously. This meant that more young people around the globe were able to learn about teamwork, creativity and problem solving.

Global Finals 2007 was the exciting culmination of the Destination ImagiNation year. More than 950

teams gathered from around the world at the University of Tennessee in Knoxville to celebrate all they had learned in the program all year. They presented their Challenge solutions to appreciative Appraisers and cheering audiences. It was a joyful celebration of the DI process!

After the last kaboom of the final fireworks of Global Finals sounded, tired teams and Appraisers traveled home so they could rest before the year of learning and creating starts again for both the teams of adults and kids.

PROGRAMS



D2K.7 Global Finals

Destination ImagiNation, Inc. produced its most awe inspiring Global Finals event ever with nearly 1,000 teams of creative problem solvers from twelve countries converging on the campus of the University of Tennessee. Eighteen thousand participants, support personnel and spectators were immersed in a week-long celebration of creativity that included everything from teams building aircraft that defied gravity to teams using technology and gadgets to illuminate evidence to teams combining the energy of youth and the value of creative

problem solving to solve real-life community problems. More than twenty-four different events took place throughout the week including:

Project OUTREACH

Teams of focused youth set their sights on solving real-life community problems and joined forces to conduct a food drive during Global Finals. They raised funds for the needy of East Tennessee through donations and cans of food given to the Second Harvest Food Bank.

ImagiNation-4-Life

Several hundred excited participants at Global Finals had the opportunity to participate in this program that provides the opportunity to learn, practice and embrace creative problem solving techniques and teamwork experiences as essential elements for life-long learning. Adults and children joined together to solve the challenge, "Hit the Road," which enabled, parents, brothers, sisters, Team Managers and friends to combine and flex their creative muscles.



Presentation Center

Throughout the week, participants were treated to a series of presentations dealing with improvisation, innovation in the workplace, what a Real Team is really like, Innovation the 3M way, VIEW: a presentation on one's creative problem solving preference styles; and the Association of Equipment Manufacturing (AEM) Construction Challenge.

Rising Stars!

Rising Stars! is a program for 4 to 7 year olds, and participants at Global Finals had the opportunity to view Rising Stars! teams perform in a Starry Showcase and demonstrate

their creative solutions to a Challenge specifically prepared for them. The Rising Stars! program continues to provide a fun and engaging introduction to creativity and problem solving for our youngest learners.

Tech Effects

With a Challenge that required teams to develop a Delivery System that used Wheels, Cams, and Eccentric Movement to deliver three different loads to three different locations, teams demonstrated their solutions and engineering abilities to crowds of amazed participants.

Team Manager and Officials Competition

Taking us back to the days of DISCO and white polyester suits, the Destination ImagiNation Support Committee (DISC) rebirthed an activity that allowed Team Managers and Officials at Global Finals to demonstrate their own version of creativity and problem solving....DISCO style.



Dlcor®

Corporate demand for Dlcor® training Continues to grow here - and overseas

Dlcor is Destination ImagiNation's corporate innovation training division, launched to expand DI's creative problem solving and critical thinking processes into corporate America.

Now in its fourth full year of operation, Dlcor is rapidly becoming one of the world leaders in the field of innovation training. There are now more than 75 trained consultants certified to teach its innovation workshop curricula, with its breadth and reach now including Europe and Asia Pacific. All net proceeds from Dlcor operations continue to be re-invested back into the Destination

ImagiNation children's non-profit programs, helping fund key growth initiatives around the world.

Dlcor continues to value our partnership with Dr. Don Treffinger from the Center for Creative Learning in Sarasota, Florida, and Dr. Scott Isaksen from the Creative Problem Solving Group in Buffalo, New York.

Dlcor growth occurred in five key areas:

- The number of engagements
- International market presence
- The number of Certified Associates
- Government (versus the private sector)
- Education
- A record number of engagements occurred during the year,

with new clients, including:

- The (International) Association of Equipment Manufacturers
- SAI International (Australia)
- The University of Scranton
- Sun Microsystems
- Autodesk
- Iowa Quality Centre
- Cooper Tire
- Connecticut House Republicans
- Centura Health
- Avaya Global Systems
- Ryerson University

...to name but a few

Three additional engagements are worth special mention:

Dlcor Trains U.S. Air Force

In May, Dlcor was invited to do a 'pilot' workshop with the United States Air Force 'Air National Guard'



at their training centre in Knoxville, Tennessee. The USAF/ANG is looking at ways to increase the innovation and creative capability of its 104,000 Guardsmen and women around the world. The class was a great success, and the ANG have now adopted the workshop as a key part of their world-wide training program.

Dlcor Trains Engineer Students at The University of Toronto

The University of Toronto, Canada's largest university, has an engineering faculty with more than 6,000 undergraduate and graduate students. They are keen to help 'senior' students better understand their problem solving strengths and weaknesses, and to leave university

with a more 'robust' innovation toolkit when they graduate. They plan to offer the Dlcor Innovation Workshop to every fourth year and graduate student beginning in the spring of 2008.

Dlcor Trains Chinese Government

Dlcor recently completed an Innovation Workshop in partnership with Vancouver's Capilano College in which the client was the Chinese Government. Because many of their state-run monopolies are planned to be de-regulated over the coming years, a delegation of high ranking Chinese government officials was visiting Canada and the US to learn more about competition and innovation. The entire workshop was delivered through translators,

with the closing comments from the group leader stating that the workshop was the highlight of their North American visit. Dlcor has subsequently been invited to do follow-up sessions in China in 2008.

Innovation continues to be a key priority of virtually every organization around the world, whether in the private or public sector. Dlcor is now well placed to leverage this interest, combining academic soundness, a proven teaching methodology, outstanding buy-in and references from virtually every type of organization. At all levels, Dlcor provides a positive and fun learning experience, and, most importantly, it is generating incremental financial support for the kids of Destination ImagiNation.

RISING STARS!®



Rising Stars®

Rising Stars!® Program stimulates, challenges, and excites 4-7 year old minds!

Thousands of young children worldwide clamor to stretch their minds, problem solve with teammates, and imagine the impossible with activities that are tucked into the new-this-year Rising Stars! Star Jars and original Melody Moments CD.

These interactive mini- kits include:

Star Jar: Story Squares: Children develop hundreds of different stories by tossing the Story



Squares wooden blocks and using the randomly selected words from these blocks to narrate or write their stories. The color-coded blocks reveal words for people, places, and objects.

Star Jar: Jumble Jar:

Eyes light up when children see more than thirty different materials tucked into the jar, as well as the three different activities that give them exciting things to do with all that 'stimulating stuff.' Somebody's Sorting requires critical

thinking and a discerning eye as children sort objects into different categories. What Else Could It Be? teaches children to generate multiple uses for objects. Use More Than One introduces the Force-Fit generating tool to young minds as they invent ways two unrelated objects might be joined together for a new, unique idea.





Star Jar: Moving out:

This jar contains three different hands-on interactive START-Up activities. Children analyze the Challenge, discuss possible solutions, and respond quickly. In Marching Ants teams make three devices to move ants across water. Moving Day encourages teams to make devices to help a family move furniture from one house to another and Traveling Circus has circus performers moving the entire circus to another town.

Melody Moments CD:

If you want to see young children thinking, moving, singing, learning and laughing all at the same time, turn on this energizing Rising Stars! CD. Curriculum lessons are included with each of the original 6 songs. Children play musical instruments and march, plan and make a clay sculpture, create imaginary creatures, make a stick horse and perform



in a rodeo, dream up excuses for going to bed, and create job-related costumes for a teddy bear.

Get on board! The Rising Stars! train carries young minds on infinite journeys.

DESTINATION IMAGINATION INC.



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Our Proud Sponsors



The National Dairy Council and Destination ImagiNation, Inc. are a great team! Together we are helping to develop children's healthy bodies through a combination of knowledge of proper nutrition and a healthy and creative mind. For eleven years a true commitment has developed between the two organizations. There is a common goal: to help children reach and realize their true potential.



For almost 10 years 3M has been a member of the Destination ImagiNation, Inc. team. 3M has 70,000 employees who put science and creativity to work everyday developing products that make people's lives better. 3M knows that by supporting this organization that encourages kids to think creatively, there will be future imaginative employees who can continue 3M's production of innovative products.



Association of Equipment Manufacturers (AEM) is the international trade and business development resource for companies that manufacture equipment, products and services used worldwide in construction, agriculture, mining, forestry, and the utility industry. AEM has partnered with DI to implement the International Construction Challenge to help develop the future workforce in all of these related industries. As a team, we have laid the foundation for six regional rallies throughout the United States leading up to the International Competition in March, 2008.



Destination ImagiNation, Inc. has joined the Sci Fi Channel to develop a curriculum for Visions for Tomorrow, a progressive public service initiative that promotes global collaborative action to ensure that the world left to future generations will be one worth living in. This partnership brings together 25 years of curriculum and program development expertise of Destination ImagiNation, Inc. and the far-reaching media and creative ability of Sci Fi Channel.

DESTINATION IMAGINATION INC.



Scholarships

DISC (Previously VOMBO)

\$225 Award

- Emma Hill
- Kristin Smith

\$400 Award

- JoAnna Lynn Nelson

\$450 Award

- Siobhan Kirkpatrick, MT (Presentation)

\$500

- Sarah Spiegelman, CO

\$1000 Award

- James Fontaine, OH (Presentation)

\$750 Award

- Sarah Spiegelman, CO (Essay)
- Stephen O'i, TN (Presentation)
- Landon Owen, TX (Presentation)

\$500 Award

- Christopher Whitney, NH (Essay)
- James Fontaine, OH (Essay)
- Keelan Runnalls, WI (Essay)
- Siena Baldi, IL (Presentation)
- Maxwell Grossnickle, CO (Essay)
- Elizabeth Newell, IN (Essay)
- Nicholas Leos, TX (Essay)
- Elysha Greenberg, NH (Essay)

British Columbia

Derrick and Janice Booth Scholarship

- Katie Albertson - \$500

BC Original Minds Association Scholarships

- Jake Axelrod - \$500

BC Original Minds Association Scholarships

- "Casey" Ka Hong Chen - \$500

California

California Creativity Essay Scholarship

- Jennifer He \$500

Justin Kissel Scholarship

- Annie Wong \$500

Colorado

Jonnie Altman Appraisers Scholarship

- Anna Loesby - \$750

Masters and Directors Scholarship

- Heather Bright - \$500

Masters and Directors Scholarship

- K C Brown - \$500

Georgia

- Pia Aiya - \$300

Illinois

- Siena Baldi - \$500.

Iowa

MudDI Waters Scholarships

- Alan Moss - \$500

Cre8iowa Scholarship

- Erin Peeler - \$500

Maine

Donnald Ridgeway Jr /

CreateME Scholarship

- Ashley Zibura
- Anthony Ortiz
- Daniel Wheeler
- Charles Phipps

Maryland

Rick Feutz Scholarship

- Michelle Steiner - \$1000

Pat Swanson Scholarship

- Andrew Fini - \$1000

Eric Dahl Verizon Scholarship

- Benjamin Hastings - \$750



Massachusetts

- Sutton Dewey - \$500
- Shannon Stockwell - \$500
- Jane Boucher - \$500
- Alison Spicer - \$500
- Kyle Reeves - \$500
- Sarah Bricault - \$500
- Joseph Bazinet - \$500
- Jill Meleedy - \$500
- Jacob Weisberg - \$500
- Tyler Beardsley - \$500

Jean Josie Award for Service and Spirit

- Sutton Dewey

Michigan

CMU/MICA- 2 year tuition

- Vincent Cavataio - \$12000

Betty Schmidt Scholarship

- Sarah Thompson - \$1000

Missouri MudDI Waters Scholarships

Camden Stockten - \$500

MudDI Waters Scholarships

- Rachel Brunner - \$500
- Ben Wendt
- Austin Schilling
- Sarah Hosp

Montana

Montana Creativity Quest

- Casey Cable - \$500

Montana Creativity Quest

- Lindsey Dykstra - \$500

Nebraska

N-CAPS Don Schrader Scholarship

- Sarah Smith - \$300

New Hampshire

CY Richard Memorial Scholarship

- Christopher Whitney

CY Richard Memorial Scholarship

- Elyssa Greenberg

New Jersey

- Samuel Johnson - \$1000

- Samantha Luscombe - \$1000

South Dakota

Watertown Optimists Club

- Charlie Moe, Jr. - \$300

- Albert Her Many Horses - \$300

Texas

Texas DI \$1000 Scholarship

- Eric Reinelt - \$1000

TX DI \$1000 Scholarship

- Nicholas Leos - \$1000

Juliet and Dave Thomas Scholarship

- Michael Koetting - \$1000

University of Texas at Dallas

- Sarah Hutto - \$40,000
- Zach Haralson

Washington

Washington Imagination

Network Scholarship

- Michael Fisher - \$500
- Jesse Wilson - \$500
- Michelle Clingingsmith - \$500
- Rebecca Van Slyke - \$500

Wyoming

Jennifer Tillard Memorial WACY Awards

- Ben Rhinesmith - \$300
- Audrey Kirven - \$300

INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Trustees of
Destination ImagiNation, Inc.
Glassboro, New Jersey 08028

We have audited the accompanying statement of financial position of Destination ImagiNation, Inc. (a nonprofit organization) as of September 30, 2007, and the related statements of activities, functional expenses and cash flows for the year 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, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

FAKTOROW, BARNETT & BRUNNER, L.L.C.
Certified Public Accountants
December 5, 2007

**DESTINATION IMAGINATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2007**

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

ASSETS

Cash and cash equivalents	\$443,781
Short-term investments	25,000
Accounts receivable	495,107
Inventory and prepaid expenses	363,907
Property and equipment	165,258
Deposits	30,000
Long-term investments	153,197
TOTAL ASSETS	\$1,676,250

LIABILITIES AND NET ASSETS

Accounts payable	\$171,025
Accrued expenses	168,902
Loans & exchange	45,350
Deferred revenue	666,895
Note payable	7,729
TOTAL LIABILITIES	1,059,901

NET ASSETS

Unrestricted net assets	431,349
Temporarily restricted net assets	185,000
TOTAL NET ASSETS	616,349
TOTAL LIABILITIES AND NET ASSETS	\$1,676,250

DESTINATION IMAGINATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND GAINS			
Contributions	\$280,460	\$296,100	\$576,560
Membership fees	775,670	-	775,670
Program revenue	5,390,582	-	5,390,582
Investment income	47,808	-	47,808
Net realized and unrealized gains on investments	877	-	877
TOTAL REVENUES, GAINS AND OTHER SUPPORT	6,495,397	296,100	6,791,497
EXPENSES			
Program	6,122,403	111,100	6,233,503
Management and general	345,049	-	345,049
Fundraising	61,835	-	61,835
TOTAL EXPENSES	6,529,287	111,100	6,640,387
INCREASE (DECREASE) IN NET ASSETS	(33,890)	185,000	151,110
NET ASSETS, beginning of year	465,239	-	465,239
NET ASSETS, end of year	\$431,349	\$185,000	\$616,349

DESTINATION IMAGINATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

	PROGRAM SERVICES	MANAGEMENT and GENERAL	FUND RAISING	TOTAL
Salaries	\$531,629	\$167,861	\$45,459	\$744,949
Employee benefits	26,610	9,094	2,838	38,542
Payroll taxes	46,121	10,796	3,565	60,482
TOTAL SALARIES AND BENEFITS	604,360	187,751	51,862	843,973
Advertising and exhibits	21,718	212	-	21,930
Bad debts	1,343	-	-	1,343
Board of directors expense	11,416	45,665	-	57,081
Conferences	1,186	-	-	1,186
Consulting fees	194,452	5,300	-	199,752
Global finals expense	4,487,765	-	-	4,487,765
Insurance	59,107	28,746	232	88,085
Interest expense	184	-	-	184
Occupancy	30,611	3,917	107	34,635
Office	56,268	23,993	622	80,883
Postage	59,550	965	422	60,937
Professional fees	111,012	36,388	3,165	150,565
Program development and design	3,200	-	-	3,200
Program expenses	271,558	755	153	272,466
Program support materials	65,979	-	30	66,009
Rebates	100,781	-	-	100,781
Software	89	-	-	89
Telephone	22,259	1,522	2,263	26,044
Travel	115,553	2,295	2,965	120,813
	5,614,031	149,758	9,959	5,773,748
Depreciation	15,112	7,540	14	22,666
TOTAL EXPENSES	\$ 6,233,503	\$ 345,049	\$ 61,835	\$ 6,640,387

**DESTINATION IMAGINATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$151,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,666
Realized losses on investments	496
Bad debts	1,343
Unrealized (gains) losses on investments	(1,373)
Increase in accounts receivable	(395,364)
Increase in inventory and prepaid expenses	(81,242)
Increase in accounts payable	27,849
Decrease in accrued expenses	(2,339)
Increase in loans and exchange	41,697
Increase in deferred revenue	359,710
Net cash provided by operating activities	124,553

CASH FLOWS FROM INVESTING ACTIVITIES:

Short-term investments, net	(8,439)
Purchase of long-term investments	(7,440)
Proceeds from sales of investments	8,745
Purchase of property and equipment	(33,091)
Net cash used by investing activities	(40,225)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable	(3,603)
Net cash used by financing activities	(3,603)

Net increase in cash **80,725**

Cash at beginning of year **363,056**

Cash at end of year **\$443,781**

Supplemental disclosures of cash payments made:

Interest	\$184
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DESTINATION IMAGINATION, INC. NOTES TO FINANCIAL STATEMENTS

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 Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report 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. The Organization has no permanently restricted net assets.

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.

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 years
Furniture, Fixtures and Equipment	5 - 8 years
Vehicles	5 years

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.

Income from memberships 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains cash balances at several financial institutions. Accounts at some institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2007, the Organization's uninsured account balances total \$2,125,064.

LONG-TERM INVESTMENTS

Long-term investments consisting of the following are presented in the financial statements in the aggregate at the fair value method. The values are based on quoted market prices.

	Cost	Fair Value
Equities	<u>\$ 158,709</u>	<u>\$ 153,197</u>

The relationship between carrying values and fair values of investments are as follows:

For the year ended September 30, 2007:

	Carrying Value	Fair Value	Excess of Cost Over Fair Value
Balance at end of year	<u>\$ 158,709</u>	<u>\$ 153,197</u>	\$ (5,512)
Balance at beginning of year	<u>\$ 160,510</u>	<u>\$ 153,625</u>	<u>(6,885)</u>
Decrease in unrealized loss			<u>\$ 1,373</u>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 44,874
Building	98,867
Building Improvements	96,851
Furniture, Fixtures and Equipment	191,168
Vehicles	<u>21,458</u>
	453,158
Less: Accumulated Depreciation	<u>287,900</u>
	<u>165,258</u>

NOTE PAYABLE

Note payable to America Suzuki in 72 monthly payments of \$316, including interest at 1.9%. This note is secured by a vehicle and matures October 2009.	\$ 7,729
Less: Current Portion	<u>3,672</u>
	<u>\$ 4,057</u>

Future payments for the next five years and in the aggregate are:

For the years ended Sept 30	
2008	\$ 3,054
2009	3,730
2010	<u>945</u>
	<u>\$ 7,729</u>

Total interest expense for the year ended September 30, 2007 amounted to \$184.

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 year ended September 30, 2007 amounted to \$26,643.

GLOBAL FINALS

The Organization holds an annual Global Finals tournament. Revenues and expenses of this tournament for the year ended September 30, 2007 are as follows:

Revenues	
Housing and Registration	\$ 4,782,887
Sponsorships and Contributions	13,500
Souvenir Sales	75,253
Special Events and Transfers	<u>125,297</u>
	<u>4,996,937</u>
Expenses	
Housing and Registration	4,060,078
Awards	17,658
Consulting	1,500
Program and Video Expense	297,643
Special Events and Transfers	<u>110,886</u>
	<u>4,487,765</u>
Extra Salary	<u>24,568</u>
	<u>4,512,333</u>
	<u>\$ 484,604</u>

COMMITMENTS AND CONTINGENCIES

The National Dairy Council agreed to become a sponsor for the Organization. Under the terms of this agreement, including amendments, the Council is to provide \$750,000 over a three-year period. This agreement, including renewal and termination rights, expires in July 2009. The Organization received \$250,000 for the year ended September 30, 2007.

The Organization has a \$125,000 working capital line of credit in place from The Bank of Gloucester County, requiring interest at the bank's prime. This line is secured by the land and building of the Organization.

The Organization has contracted to hold Global Finals through 2012 at the University of Tennessee. Either party can terminate these contracts. Under certain circumstances cancellation fees would apply.

