

DESTINY RESCUE USA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors of
Destiny Rescue USA, Inc.

Opinion

We have audited the accompanying financial statements of Destiny Rescue USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, 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 Destiny Rescue USA, Inc. as of December 31, 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 Destiny Rescue USA, 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 Destiny Rescue USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Destiny Rescue USA, Inc.
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, including omissions, 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 Destiny Rescue USA, 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 Destiny Rescue USA, 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.



Fort Wayne, Indiana
June 22, 2023

Destiny Rescue USA, Inc.
 Statements of Financial Position
 December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 1,429,321	\$ 1,583,344
Contribution receivable	-	64,000
Payroll tax refund receivable	-	326,009
Prepaid expenses	<u>40,156</u>	<u>58,229</u>
Total current assets	1,469,477	2,031,582
Right-of-use asset, operating lease	136,298	-
Property and equipment, net	<u>165,015</u>	<u>127,928</u>
Total assets	<u>\$ 1,770,790</u>	<u>\$ 2,159,510</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 26,959	\$ 30,642
Current maturities of operating lease liability	23,077	-
Accounts payable	24,292	28,748
Grants payable	-	209,171
Accrued payroll and withholdings	<u>155,396</u>	<u>103,559</u>
Total current liabilities	229,724	372,120
Operating lease liability, net of current maturities	111,222	-
Long-term debt, net of current maturities	<u>23,384</u>	<u>50,308</u>
Total liabilities	<u>364,330</u>	<u>422,428</u>
Net assets:		
Without donor restrictions	941,778	1,150,777
With donor restrictions	<u>464,682</u>	<u>586,305</u>
Total net assets	<u>1,406,460</u>	<u>1,737,082</u>
Total liabilities and net assets	<u>\$ 1,770,790</u>	<u>\$ 2,159,510</u>

See accompanying notes

Destiny Rescue USA, Inc.
Statement of Activities
For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 4,574,142	\$ 440,403	\$ 5,014,545
Interest income	9,423	-	9,423
Other income	1,350	-	1,350
Gain on sale of assets	2,300	-	2,300
Net assets released from restrictions	<u>562,026</u>	<u>(562,026)</u>	<u>-</u>
 Total revenue and support	 <u>5,149,241</u>	 <u>(121,623)</u>	 <u>5,027,618</u>
Program expense:			
Grants to affiliates	3,033,163	-	3,033,163
Sponsorships	22,312	-	22,312
Public awareness	<u>1,422,285</u>	<u>-</u>	<u>1,422,285</u>
 Total program expense	 <u>4,477,760</u>	 <u>-</u>	 <u>4,477,760</u>
Supporting services expense:			
Management and general	446,743	-	446,743
Fundraising	<u>433,737</u>	<u>-</u>	<u>433,737</u>
 Total supporting services expense	 <u>880,480</u>	 <u>-</u>	 <u>880,480</u>
 Total expenses	 <u>5,358,240</u>	 <u>-</u>	 <u>5,358,240</u>
 Change in net assets	 <u>(208,999)</u>	 <u>(121,623)</u>	 <u>(330,622)</u>
 Net assets, beginning of year	 <u>1,150,777</u>	 <u>586,305</u>	 <u>1,737,082</u>
 Net assets, end of year	 <u>\$ 941,778</u>	 <u>\$ 464,682</u>	 <u>\$ 1,406,460</u>

See accompanying notes

Destiny Rescue USA, Inc.
Statement of Activities
For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 4,082,132	\$ 472,684	\$ 4,554,816
Interest income	223	-	223
Other income	2,625	-	2,625
Gain on sale of assets	5,845	-	5,845
Net assets released from restrictions	<u>321,524</u>	<u>(321,524)</u>	<u>-</u>
 Total revenue and support	 <u>4,412,349</u>	 <u>151,160</u>	 <u>4,563,509</u>
Program expense:			
Grants to affiliates	2,198,394	-	2,198,394
Sponsorships	11,661	-	11,661
Public awareness	<u>1,008,826</u>	<u>-</u>	<u>1,008,826</u>
 Total program expense	 <u>3,218,881</u>	 <u>-</u>	 <u>3,218,881</u>
Supporting services expense:			
Management and general	478,836	-	478,836
Fundraising	<u>325,728</u>	<u>-</u>	<u>325,728</u>
 Total supporting services expense	 <u>804,564</u>	 <u>-</u>	 <u>804,564</u>
 Total expenses	 <u>4,023,445</u>	 <u>-</u>	 <u>4,023,445</u>
 Change in net assets	 388,904	 151,160	 540,064
 Net assets, beginning of year	 <u>761,873</u>	 <u>435,145</u>	 <u>1,197,018</u>
 Net assets, end of year	 <u>\$ 1,150,777</u>	 <u>\$ 586,305</u>	 <u>\$ 1,737,082</u>

See accompanying notes

Destiny Rescue USA, Inc.
Statement of Functional Expenses
For the year ended December 31, 2022

	Program Expenses				Supporting Services			Total Expenses
	Grants to Affiliates	Sponsorships	Public Awareness	Total Program	Management & General	Fund-raising	Total Supporting Services	
Grants to affiliates	\$ 2,984,905	\$ -	\$ -	\$ 2,984,905	\$ -	\$ -	\$ -	\$ 2,984,905
Personnel costs	27,511	19,650	892,761	939,922	368,801	263,317	632,118	1,572,040
Advertising	-	-	20,062	20,062	-	20,062	20,062	40,124
Artist speakers	-	-	103,378	103,378	-	44,305	44,305	147,683
Conferences and conventions	-	-	71,360	71,360	-	7,929	7,929	79,289
Depreciation	468	334	15,184	15,986	6,272	4,478	10,750	26,736
Insurance	51	36	1,639	1,726	678	484	1,162	2,888
Interest	-	-	-	-	2,057	-	2,057	2,057
Meals and travel	-	-	136,285	136,285	-	45,428	45,428	181,713
Miscellaneous	154	110	4,987	5,251	2,060	1,471	3,531	8,782
Mission team trip costs	-	-	43,441	43,441	-	-	-	43,441
Office supplies and other	1,729	1,235	56,111	59,075	23,180	16,550	39,730	98,805
Processing and bank fees	17,019	-	34,039	51,058	-	17,019	17,019	68,077
Professional fees	-	-	-	-	25,917	-	25,917	25,917
Rent	463	331	15,042	15,836	6,213	4,436	10,649	26,485
Repairs and maintenance	55	39	1,782	1,876	736	526	1,262	3,138
Technology	434	310	14,069	14,813	5,812	4,150	9,962	24,775
Utilities	374	267	12,145	12,786	5,017	3,582	8,599	21,385
	<u>\$ 3,033,163</u>	<u>\$ 22,312</u>	<u>\$ 1,422,285</u>	<u>\$ 4,477,760</u>	<u>\$ 446,743</u>	<u>\$ 433,737</u>	<u>\$ 880,480</u>	<u>\$ 5,358,240</u>

See accompanying notes

Destiny Rescue USA, Inc.
Statement of Functional Expenses
For the year ended December 31, 2021

	Program Expenses				Supporting Services			Total Expenses
	Grants to Affiliates	Sponsorships	Public Awareness	Total Program	Management & General	Fund-raising	Total Supporting Services	
Grants to affiliates	\$ 2,159,702	\$ -	\$ -	\$ 2,159,702	\$ -	\$ -	\$ -	\$ 2,159,702
Personnel costs	21,099	10,007	634,407	665,513	360,727	179,399	540,126	1,205,639
Advertising	-	-	31,694	31,694	-	31,694	31,694	63,388
Artist speakers	-	-	123,698	123,698	-	41,233	41,233	164,931
Conferences and conventions	-	-	12,909	12,909	-	1,434	1,434	14,343
Depreciation	499	236	14,992	15,727	8,525	4,239	12,764	28,491
Direct fundraising costs	-	-	-	-	-	4,286	4,286	4,286
Insurance	49	23	1,482	1,554	843	419	1,262	2,816
Interest	-	-	-	-	2,139	-	2,139	2,139
Meals and travel	-	-	71,776	71,776	-	23,926	23,926	95,702
Miscellaneous	77	36	2,314	2,427	1,316	654	1,970	4,397
Mission team trip costs	-	-	1,276	1,276	-	-	-	1,276
Office supplies and other	1,726	819	51,892	54,437	29,506	14,674	44,180	98,617
Processing and bank fees	14,104	-	28,207	42,311	-	14,104	14,104	56,415
Professional fees	-	-	-	-	56,344	-	56,344	56,344
Rent	455	216	13,677	14,348	7,777	3,868	11,645	25,993
Repairs and maintenance	55	26	1,641	1,722	934	464	1,398	3,120
Technology	278	132	8,350	8,760	4,748	2,361	7,109	15,869
Utilities	350	166	10,511	11,027	5,977	2,973	8,950	19,977
	<u>\$ 2,198,394</u>	<u>\$ 11,661</u>	<u>\$ 1,008,826</u>	<u>\$ 3,218,881</u>	<u>\$ 478,836</u>	<u>\$ 325,728</u>	<u>\$ 804,564</u>	<u>\$ 4,023,445</u>

See accompanying notes

Destiny Rescue USA, Inc.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (330,622)	\$ 540,064
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,736	28,491
Gain on sale of property and equipment	(2,300)	(5,845)
Changes in assets and liabilities:		
Payroll tax refund receivable	326,009	(195,479)
Contributions receivable	64,000	(64,000)
Prepaid expenses	18,073	(25,072)
Inventory	-	7,473
Accounts payable	(6,455)	(1,066)
Grants payable	(209,171)	(61,051)
Accrued payroll and withholdings	51,837	21,546
	<u>(61,893)</u>	<u>245,061</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(63,823)	(10,445)
Proceeds from sale of property and equipment	<u>2,300</u>	<u>10,022</u>
Net cash used in financing activities	<u>(61,523)</u>	<u>(423)</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(30,607)</u>	<u>(34,771)</u>
Net cash used in financing activities	<u>(30,607)</u>	<u>(34,771)</u>
Net increase (decrease) in cash	(154,023)	209,867
Cash, beginning of year	<u>1,583,344</u>	<u>1,373,477</u>
Cash, end of year	<u>\$ 1,429,321</u>	<u>\$ 1,583,344</u>
Supplementary information:		
Interest paid	\$ 2,057	\$ 2,139
Vehicles purchased with long-term debt	-	25,000

See accompanying notes

Destiny Rescue USA, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

Destiny Rescue USA, Inc. (the “Organization”), is an Indiana not-for-profit corporation organized for the purpose of raising awareness regarding human trafficking and child sex slavery, and for the purpose of raising financial assistance to support organizations involved in the rescue efforts of those children, their rehabilitation after rescue and activities to prevent future trafficking of children overseas.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other facts and circumstances. Management believes these estimates and assumptions are reasonable; however, actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets based on the existence or absence of donor or grantor imposed restrictions. A description of the net asset classes are as follows:

Net Assets Without Donor Restrictions – Resources that are without donor-imposed restrictions and available to support operations subject to the nature of the Organization, the environment in which it operates, and the specified purpose in its application for tax-exempt status. The Organization may designate, from net assets without donor restrictions, net assets for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions – Resources whose use by the Organization is restricted by the donor for a particular purpose or particular future period. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the release of restriction is reported in the financial statements by reclassifying the net assets.

Cash

Cash includes deposit and interest-bearing accounts. The Organization places its cash with high credit quality institutions. At times such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. As of December 31, 2022 and 2021, the Organization’s account balances exceeded the federally insured limit by \$640,797 and \$927,768, respectively. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash accounts.

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. The receivables are expected to be collected in less than one year and are reported at net realizable value. The Organization provides allowances for uncollectible receivables equal to the estimated collection losses that may be incurred in the collection of pledges. The estimated losses are based on historical collection experience and review of the current state of existing receivables. Management believes that all outstanding receivables are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment is stated at cost for purchased assets. Contributed property and equipment is recorded at fair market value at the date of the donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 – 10 years
Vehicles	5 – 10 years
Software	3 years

Repairs and maintenance are expensed when incurred. Betterments and renewals are capitalized. The cost of assets sold or retired, and the amounts of accumulated depreciation, are eliminated in the year of disposal and the resulting gains or losses are included in the change in net assets.

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized during the years ended December 31, 2022 and 2021.

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. The Organization classifies donor-restricted contributions as net assets without restrictions if the restrictions are met in the same reporting period in which the contributions are received.

The Organization reports gifts of property and equipment as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Income Tax

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. No provision for federal income taxes has been made in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2022 and 2021.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the positions related to the potential sources of income subject to unrelated business income tax (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2022 and 2021.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, office supplies and other, depreciation, utilities, rent, technology, insurance, miscellaneous and repairs and maintenance, which are allocated on the basis of percent of labor. Advertising, conferences and conventions, meals and travel, processing and bank fees, and artist speakers are allocated based on estimated usage.

Advertising Costs

Advertising costs (non-direct response and direct response) are expensed as incurred. Total advertising cost expense was \$40,124 and \$63,388 for the years ended December 31, 2022 and 2021, respectively.

Reclassifications

Certain reclassifications have been made for the year ended December 31, 2021 to conform to the classifications used for the year ended December 31, 2022. These reclassifications did not affect results of operations as previously reported.

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

2. Liquidity and Availability

Financial assets without donor-imposed restriction and available for general expenditures, within one year of the balance sheet date, comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 964,639	\$ 1,061,039
Payroll tax refund receivable	<u>-</u>	<u>326,009</u>
	<u>\$ 964,639</u>	<u>\$ 1,387,048</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within budgetary compliance in a prudent range of financial stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

3. Property and Equipment

Property and equipment, summarized by major classification, consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 26,304	\$ 22,804
Vehicles	242,410	196,533
Software	<u>30,111</u>	<u>30,111</u>
	298,825	249,448
Accumulated depreciation	<u>(133,810)</u>	<u>(121,520)</u>
	<u>\$ 165,015</u>	<u>\$ 127,928</u>

Depreciation expense was \$26,736 and \$28,491 for the years ended December 31, 2022 and 2021, respectively.

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

4. Long-term Debt

Long-term debt consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Note payable to KeyBank National Association in monthly installments of \$383 including interest at 3.270%. The note matures in July 2027 and is secured by a vehicle.	\$ 19,542	\$ 23,424
Note payable to Mazda Capital Services in monthly installments of \$393 including interest at 2.90%. The note matures in September 2024 and is secured by a vehicle.	8,052	12,454
Note payable to Mazda Capital Services in monthly installments of \$400 including interest at 2.90%. The note matures in May 2024 and is secured by a vehicle.	6,298	10,826
Note payable to Mazda Capital Services in monthly installments of \$404 including interest at 2.90%. The note matures in April 2024 and is secured by a vehicle.	6,314	10,906
Note payable to Mazda Capital Services in monthly installments of \$434 including interest at 2.90%. The note matures in February 2024 and is secured by a vehicle.	5,587	10,537
Note payable to Honda Financial Services in monthly installments of \$331 including interest at 2.90%. The note matures in January 2024 and is secured by a vehicle.	4,550	8,334
Note payable to Honda Financial Services in monthly installments of \$310 including interest at 1.90%. The note matures in November 2022 and is secured by a vehicle.	-	3,087
Note payable to Honda Financial Services in monthly installments of \$276 including interest at 0.90%. The note matures in May 2022 and is secured by a vehicle.	-	1,382
	<u>50,343</u>	<u>80,950</u>
Less: Current maturities	<u>26,959</u>	<u>30,642</u>
	<u>\$ 23,384</u>	<u>\$ 50,308</u>

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

4. Long-term Debt, continued

Maturities on long-term debt are as follows as of December 31, 2022:

2023	\$	26,959
2024		12,007
2025		4,287
2026		4,430
2027		2,660
Thereafter		<u>-</u>
	\$	<u><u>50,343</u></u>

5. Grants Payable

Grants authorized but unpaid were \$209,171 as of December 31, 2021 and were payable within one year. The Organization has not issued any conditional grants for the years ended December 31, 2022 and 2021.

6. Net Assets with Donor Restrictions

Net assets were released from restrictions by incurring expenses satisfying the donor-imposed restriction. The amount released was \$562,026 and \$321,524 for the years ended December 31, 2022 and 2021, respectively.

Net assets with donor restrictions are available for the following purposes or periods as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Food	\$ 47,128	\$ 94,154
Project nations	6,000	-
Rescue efforts in Cambodia	6,921	7,564
Rescue efforts in India	39,403	118,743
Rescue efforts in Nepal	16,200	108,551
Rescue efforts in Philippines	26,110	-
Rescue efforts in Thailand	8,951	782
Rescue efforts unspecified	308,779	251,454
Restore efforts	1,215	-
USA offices	<u>3,975</u>	<u>5,057</u>
	<u>\$ 464,682</u>	<u>\$ 586,305</u>

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

7. Leases

The Organization leases its administrative office under a long-term noncancelable operating lease agreement. The lease expired in February 2022 and the first of two three-year renewal options was executed. The renewal options are included in the determination of the right-of-use asset and lease liability as it is reasonably certain to be exercised. Additionally, the lease agreements require the payment of real estate taxes, insurance, and repairs.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating leases:		
Right-of-use asset, operating lease	\$	<u>136,298</u>
Current maturities of operating lease liability	\$	23,077
Operating lease liabilities, net of current maturity		<u>111,222</u>
	\$	<u>134,299</u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease cost:		
Rent expense	\$	26,485

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	26,485
Lease assets obtained in exchange for lease liabilities		156,062

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, an applicable incremental borrowing rate is used. The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted-average remaining lease term	5.16 years
Weighted-average discount rate	3.23%

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

7. Leases, continued

The maturities of lease liability as of December 31, 2022 were as follows:

2023	\$	27,076
2024		27,667
2025		28,258
2026		28,848
2027		29,439
Thereafter		<u>4,923</u>
Total lease payments		146,211
Less:		
Amounts representing interest		11,912
Current maturities		<u>23,077</u>
	\$	<u><u>111,222</u></u>

8. Employee Benefits

The Organization sponsors a defined contribution plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Participating employees may contribute a portion of their annual compensation to the plan, not to exceed Internal Revenue Service limits. For the years ended December 31, 2022 and 2021, the Organization matched 50% of employee contributions up to 6% of the employee's regular wages. Contribution expense related to the plan was \$43,152 and \$22,301 for the years ended December 31, 2022 and 2021, respectively.

The Organization sponsors a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) plan covering substantially all employees. Participating employees can submit qualifying healthcare expenses to the Organization for reimbursement. Expense related to the plan was \$94,630 and \$56,560 for the years ended December 31, 2022 and 2021, respectively.

9. Related Party Transactions

The Organization provides grants to other Destiny Rescue organizations around the world that are directly involved in the rescue efforts within the countries which they are located. There is no ownership interest in existence between the Organization and other Destiny Rescue organizations that would require the consolidation of financial statements or financially related interests. However, a Organization's board member is also a member of the board of directors of the other Destiny Rescue organizations that receive grants from the Organization. Grants incurred to other Destiny Rescue organizations totaled \$2,912,673 and \$1,549,782 for the years ended December 31, 2022 and 2021, respectively. There were no grants payable to other Destiny Rescue organizations as of December 31, 2022. Grants payable to the other Destiny Rescue organizations was \$120,171 as of December 31, 2021.

Destiny Rescue USA, Inc.
Notes to Financial Statements, continued

10. Government Grants

In March 2021, the Organization applied for and was approved a \$243,224 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. Under the terms of the program, all or a portion of the loan may be forgiven upon incurring qualifying payroll, rent, and other costs within 24 weeks of the receiving the loan proceeds. As of December 31, 2021, the management had a reasonable expectation all of the loan would be forgiven based upon qualifying expenses incurred and the forgiveness criteria was substantially met. As such, the Organization accounted for this forgivable loan as a conditional government grant and recognized loan forgiveness of \$243,225 as grant revenue for the year ended December 31, 2021. In January 2022, the Organization was approved for 100% loan forgiveness by the Small Business Administration.

Additionally, the Organization determined it was eligible for Employee Retention Credits (ERC) established as further relief efforts related to COVID-19 due to full and/or partial disruption of operations throughout 2021 caused by government orders. ERC allows businesses to receive a credit on qualifying employee wages up to certain limits per quarter or year. The amended quarterly payroll tax returns were filed and the Organization accounted for these credits as a conditional government grant recognizing \$195,478 as grant revenue for the year ended December 31, 2021. All refundable credits were received in February 2022.

11. New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the income statement. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease right-of-use assets of \$156,062, an increase in lease liability of \$156,062.

12. Subsequent Event

Subsequent events for possible adjustment to the financial statements or disclosures have been evaluated through June 22, 2023, which is the date the financial statements were available to be issued.