

DAMIANO OF DULUTH, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 and 2022



DAMIANO OF DULUTH, INC.

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## Independent Auditor's Report

November 10, 2023

Board of Directors  
Damiano of Duluth, Inc.  
Duluth, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Damiano of Duluth, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Damiano of Duluth, Inc. as of June 30, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audit 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 Damiano of Duluth, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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, which raise substantial doubt about Damiano of Duluth, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Damiano of Duluth, 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 Damiano of Duluth, 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.

*Lucas, Larsen + Co LTD*

DAMIANO OF DULUTH, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash in bank	\$ 481,878	\$ 453,739
Cash in bank - board designated	258,370	250,000
Total cash in bank	<u>740,248</u>	<u>703,739</u>
Short term investments - board designated	1,294,641	876,183
Grants and contributions receivable	83,578	213,153
Prepaid expenses	9,429	23,848
Total Current Assets	<u>2,127,896</u>	<u>1,816,923</u>
Property and equipment, net of accumulated depreciation of \$1,781,410 and \$1,674,140, respectively	<u>1,755,471</u>	<u>1,862,741</u>
Total Assets	<u><u>\$ 3,883,367</u></u>	<u><u>\$ 3,679,664</u></u>
<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 6,390	\$ 5,453
Accrued expenses	45,101	31,641
Deferred revenue	1,356	694
Total Current Liabilities	<u>52,847</u>	<u>37,788</u>
<u>Net Assets:</u>		
Without donor restrictions	2,257,953	2,399,137
Without donor restrictions - board designated	1,553,011	1,126,183
With donor restrictions	19,556	116,556
Total Net Assets	<u>3,830,520</u>	<u>3,641,876</u>
Total Liabilities and Net Assets	<u><u>\$ 3,883,367</u></u>	<u><u>\$ 3,679,664</u></u>

See accompanying notes to financial statements

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DAMIANO OF DULUTH, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Public Support And Revenues:</u>						
<u>Public Support</u>						
Contributions	\$ 803,864	\$ -	\$ 803,864	\$ 552,285	\$ -	\$ 552,285
Contributions - non cash	612,036	-	612,036	483,763	-	483,763
Government assistance	3,602	40,719	44,321	4,903	241,431	246,334
Grants / foundations	418,475	18,163	436,638	375,404	22,707	398,111
Total Public Support	<u>1,837,977</u>	<u>58,882</u>	<u>1,896,859</u>	<u>1,416,355</u>	<u>264,138</u>	<u>1,680,493</u>
<u>Revenues:</u>						
Program income	92,352	-	92,352	85,224	-	85,224
Interest	55,296	-	55,296	31,942	-	31,942
Market gains (losses) on investments	(1,130)	-	(1,130)	(145,643)	-	(145,643)
Miscellaneous	7,747	-	7,747	6,889	-	6,889
Total Revenue	<u>154,265</u>	<u>-</u>	<u>154,265</u>	<u>(21,588)</u>	<u>-</u>	<u>(21,588)</u>
Total Public Support And Revenues	<u>1,992,242</u>	<u>58,882</u>	<u>2,051,124</u>	<u>1,394,767</u>	<u>264,138</u>	<u>1,658,905</u>
Net assets released from restrictions	<u>155,882</u>	<u>(155,882)</u>	<u>-</u>	<u>185,107</u>	<u>(185,107)</u>	<u>-</u>
<u>Functional Expenses:</u>						
Program services	1,619,494	-	1,619,494	1,382,338	-	1,382,338
Fundraising	42,560	-	42,560	41,116	-	41,116
Administrative and general	200,426	-	200,426	120,513	-	120,513
Total Functional Expenses	<u>1,862,480</u>	<u>-</u>	<u>1,862,480</u>	<u>1,543,967</u>	<u>-</u>	<u>1,543,967</u>
Increase (decrease) in net assets	285,644	(97,000)	188,644	35,907	79,031	114,938
Net assets, beginning of year	<u>3,525,320</u>	<u>116,556</u>	<u>3,641,876</u>	<u>3,489,413</u>	<u>37,525</u>	<u>3,526,938</u>
Net assets, end of year	<u>\$ 3,810,964</u>	<u>\$ 19,556</u>	<u>\$ 3,830,520</u>	<u>\$ 3,525,320</u>	<u>\$ 116,556</u>	<u>\$ 3,641,876</u>

See accompanying notes to financial statements

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DAMIANO OF DULUTH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2023 Totals
Salaries	\$ 82,640	\$ 139,300	\$ 44,578	\$ 82,640	\$ 101,314	\$ 450,472	\$ 18,240	\$ 107,222	\$ 125,462	\$ 575,934
Payroll taxes and insurance	7,584	13,716	4,204	7,975	11,022	44,501	2,927	18,829	21,756	66,257
Employee benefits	8,976	15,076	10,188	9,486	13,369	57,095	3,085	19,893	22,978	80,073
Total Compensation	99,200	168,092	58,970	100,101	125,705	552,068	24,252	145,944	170,196	722,264
Communications	1,431	-	-	-	1,075	2,506	2,938	13,933	16,871	19,377
Contract services	5,360	973	-	1,035	141	7,509	8,740	17,340	26,080	33,589
Dues and subscriptions	100	423	-	313	451	1,287	144	2,946	3,090	4,377
Equipment	12,856	3,577	-	304	6,023	22,760	-	-	-	22,760
Insurance	18,747	-	-	-	-	18,747	-	1,539	1,539	20,286
Miscellaneous	309	320	15	135	45	824	507	8,992	9,499	10,323
Printing-publications	777	5	54	368	393	1,597	5,783	1,365	7,148	8,745
Program services	-	93,721	-	1,991	8,978	104,690	-	32	32	104,722
Program services - donated	-	389,628	222,408	-	-	612,036	-	-	-	612,036
Promotion	-	-	-	-	35	35	196	-	196	231
Repair and maintenance	14,241	2,076	-	997	3,385	20,699	-	302	302	21,001
Supplies	24,696	16,880	465	1,768	19,813	63,622	-	8,033	8,033	71,655
Travel	-	-	-	-	-	-	-	-	-	-
Utilities	99,089	-	-	-	4,754	103,843	-	-	-	103,843
Total expenses before depreciation	276,806	675,695	281,912	107,012	170,798	1,512,223	42,560	200,426	242,986	1,755,209
Depreciation	107,271	-	-	-	-	107,271	-	-	-	107,271
 Total Expenses	<u>\$ 384,077</u>	<u>\$ 675,695</u>	<u>\$ 281,912</u>	<u>\$ 107,012</u>	<u>\$ 170,798</u>	<u>\$1,619,494</u>	<u>\$ 42,560</u>	<u>\$ 200,426</u>	<u>\$ 242,986</u>	<u>\$ 1,862,480</u>

DAMIANO OF DULUTH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2022 Totals
Salaries	\$ 78,417	\$ 110,655	\$ 38,633	\$ 64,592	\$ 87,667	\$ 379,964	\$ 10,577	\$ 76,033	\$ 86,610	\$ 466,574
Payroll taxes and insurance	8,582	11,662	6,555	7,072	10,046	43,917	861	1,842	2,703	46,620
Employee benefits	8,682	12,114	10,646	12,882	13,296	57,620	2,150	3,413	5,563	63,183
Total Compensation	95,681	134,431	55,834	84,546	111,009	481,501	13,588	81,288	94,876	576,377
Communications	13,139	445	-	-	22	13,606	419	2,728	3,147	16,753
Contract services	3,110	1,180	-	8,226	75	12,591	21,961	28,014	49,975	62,566
Dues and subscriptions	100	50	-	660	-	810	273	1,373	1,646	2,456
Equipment	-	-	-	-	-	-	-	-	-	-
Insurance	17,230	-	-	-	-	17,230	-	578	578	17,808
Miscellaneous	932	280	30	550	105	1,897	1,770	(3,338)	(1,568)	329
Printing-publications	909	1,511	65	353	957	3,795	3,062	4,323	7,385	11,180
Program services	-	58,088	-	1,849	9,989	69,926	-	(15)	(15)	69,911
Program services - donated	-	283,516	200,247	-	-	483,763	-	-	-	483,763
Promotion	-	-	-	-	-	-	-	-	-	-
Repair and maintenance	37,884	4,881	-	737	13,708	57,210	-	-	-	57,210
Supplies	17,623	15,004	215	616	10,351	43,809	43	3,156	3,199	47,008
Travel	-	-	-	-	-	-	-	-	-	-
Utilities	87,348	-	-	-	1,581	88,929	-	2,406	2,406	91,335
Total expenses before depreciation	273,956	499,386	256,391	97,537	147,797	1,275,067	41,116	120,513	161,629	1,436,696
Depreciation	107,271	-	-	-	-	107,271	-	-	-	107,271
 Total Expenses	<u>\$ 381,227</u>	<u>\$ 499,386</u>	<u>\$ 256,391</u>	<u>\$ 97,537</u>	<u>\$ 147,797</u>	<u>\$ 1,382,338</u>	<u>\$ 41,116</u>	<u>\$ 120,513</u>	<u>\$ 161,629</u>	<u>\$ 1,543,967</u>



DAMIANO OF DULUTH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 188,644	\$ 114,938
<u>Adjustments to reconcile changes in net assets to net cash provided by operating activities</u>		
Depreciation	107,271	107,271
Change in market value	1,130	145,643
<u>(Increase) decrease in operating assets:</u>		
Grants and contributions receivable	129,575	(111,391)
Prepaid expenses	14,419	(3,761)
<u>(Increase) decrease in operating liabilities:</u>		
Accounts payable	937	(576)
Accrued expenses	14,122	(27,910)
Net Cash Flows From Operating Activities	<u>456,098</u>	<u>224,214</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of short term investments	<u>(419,589)</u>	<u>(51,982)</u>
Net Cash Flows From Investing Activities	<u>(419,589)</u>	<u>(51,982)</u>
NET INCREASE IN CASH	36,509	172,232
Beginning cash balance	<u>703,739</u>	<u>531,507</u>
Ending cash balance	<u>\$ 740,248</u>	<u>\$ 703,739</u>
<u>Supplementary Information:</u>		
In-kind Contributions / Program expense	<u>\$ 612,036</u>	<u>\$ 483,763</u>

See accompanying notes to financial statements.

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DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

Damiano of Duluth, Inc. is a nonprofit corporation organized under the laws of Minnesota and founded to assist low-income people in the Duluth area to meet their survival needs.

Source of Income

Damiano of Duluth, Inc. receives support primarily from individuals, corporations, private foundations, and governmental units.

Financial Reporting

The financial statements of Damiano of Duluth, Inc. (Organization) have been prepared on the accrual basis of accounting.

Revenue Recognition and Receivables

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Pledges receivable in the accompanying statement of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term receivables on the statement of financial position. Management believes collection of these accounts is reasonably certain. The receivables are due in one year or less.

Cash and Cash Equivalents

All investment instruments purchased with a maturity of three months or less are considered to be cash equivalents.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)

Property and Equipment

Purchased property and equipment is stated at cost less accumulated depreciation. Donated property is capitalized at its fair market value when received. Depreciation of property and equipment is computed on the straight-line basis over the estimated service lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Advertising Costs

Advertising costs are expensed as incurred.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor- imposed restrictions. Net assets and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions*** – Net assets available for use in general operations and not subject to donor restrictions.

***Net Assets with Donor Restrictions*** – Net asset subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Donated Materials and Services

Donated materials and services are recognized as contributions in accordance with accounting standards if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Damiano of Duluth, Inc. No amounts have been reflected in the statements for donated services since the services do not require specialized skills. However, a substantial number of volunteers have donated significant amounts of time in the Organization's program and fund-raising activities. See Note F regarding donated materials.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)

Functional Expenses

Expenses incurred for a program or supporting service are assigned directly to that program or supporting service. Common expenses that support the work performed under more than one category are allocated on the basis that is the most reasonable, such as employee time or square footage used.

Contributions and Grants

Contributions and grants are recognized when the donor makes a promise to give to Damiano of Duluth, Inc., that is, in substance, unconditional. Amounts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. For contributions of long-lived assets, the accounting policy is to not imply a time restriction that expires over the estimated useful life of the respective assets.

Income Taxes

Damiano of Duluth, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under similar provisions of the Minnesota Income Tax Act.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash equivalents and grants receivable. Management periodically evaluates the Organization's cash equivalents, which are not collateralized. Grants receivable, which have been adjusted for all known doubtful accounts, are due from other supporting non-profit organizations.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)

Leases

On July 1, 2022, the Organization adopted FASB ASC 842, Leases, that requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use and underlying asset and lease liability representing the obligation to make lease payments of the lease term, measured on a discount basis.

The Organization made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. As a result, adoption of ASC 842 did not result in the recording of any ROU assets or lease liabilities at May 1, 2022

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 10, 2023, the date the financial statements were available to be issued.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment included the following at June 30:

	<u>2023</u>	<u>2022</u>
Land - parking lot	\$ 48,400	\$ 48,400
Building and improvements	3,215,425	3,215,425
Equipment	273,056	273,056
Total	3,536,881	3,536,881
Less: accumulated depreciation	<u>(1,781,410)</u>	<u>(1,674,140)</u>
Total	<u>\$ 1,755,471</u>	<u>\$ 1,862,741</u>

The land and building that houses the Damiano Center were acquired through a donation in 1991. The fair value of the building was determined to be insignificant. Thus, no value for the building has been recorded.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE C – SHORT-TERM INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair values. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The three levels are described as follows: Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access; Level 2 – inputs to the valuation methodology include quoted prices for similar assets in active or inactive markets, inputs other than quoted prices that are observable for the asset, inputs that are derived principally by observable market data; Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual Funds/Common Stocks-valued at the closing price reported on the New York Stock Exchange.

Corporate Bonds-valued at the closing price reported in the active market in which the bond is traded.

US Government Securities-valued at the closing price reported in the active market in which the security is traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE C – SHORT-TERM INVESTMENTS (CONTINUED)

Investments are state at current fair value and consisted of the following at June 30, 2023 and 2022:

	June 30, 2023			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Mutual funds	\$ 507,214	\$ -	\$ -	\$ 507,214
Corporate bonds	587,328	-	-	587,328
Money market funds	200,099	-	-	200,099
	\$ 1,294,641	\$ -	\$ -	\$ 1,294,641
	June 30, 2022			
	Level 1	Level 2	Level 3	Total
<u>Investments:</u>				
Mutual funds	\$ 564,089	\$ -	\$ -	\$ 564,089
Corporate bonds	289,460	-	-	289,460
Money market funds	22,634	-	-	22,634
	\$ 876,183	\$ -	\$ -	\$ 876,183

	2023	2022
<u>Investment Income:</u>		
Change in market value of investments	\$ 3,823	\$(138,530)
Investment fees	(8,313)	(7,113)
Interest and dividends	48,435	30,736
	\$ 43,945	\$(114,907)

NOTE D – BOARD DESIGNATED NET ASSETS

The Organization received several large bequests in 2018 which the Organization's Board of Directors decided would be best suited for the establishment of an Endowment Fund for the benefit of the Damiano Center. The purpose of this fund is to ensure long-term viability of the Organization. Several options were explored for the Endowment Fund, including contributing the money to a foundation to manage, however the ultimate decision was made for the Organization to create an investment account which functions like an Endowment fund.

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE D – BOARD DESIGNATED NET ASSETS (CONTINUED)

A policy was implemented by the Board of Directors for overall Endowment management. Two primary safeguards were also created to protect the Endowment Fund. Upon approval from the board of directors, a three-month reserve was created in addition to the establishment of a line of credit that can be utilized if reserve funds are ever needed prior to accessing the Endowment Fund. Additional bequests will be assessed on a case-by-case basis by the Finance Committee of the Board of Directors and the Executive Director. A determination will be made whether a future bequest will be added to the Endowment fund or used for general programming.

NOTE E – NET ASSETS WITH RESTRICTIONS

Temporarily restricted net assets are available for the following specific program services at June 30:

	2023	2022
Restricted cash	\$ 17,056	\$ -
<u>Grants and contribution receivables:</u>		
EFSP                      Community Kitchen	2,500	29,431
CDBG                     Hygiene Unit	-	53,125
DSACF                    Kids Kitchen	-	5,000
Junior League         Community Kitchen	-	3,000
	-	26,000
	\$ 19,556	\$ 116,556

NOTE F – PROGRAM INCOME

The Organization leases space to unrelated organizations on a month-to-month basis. Rental income from these unrelated parties was \$83,477 and \$75,486 for the years ended June 30, 2023 and 2022, respectively. Miscellaneous income was \$7,747 and \$9,738 for the years ended June 30, 2023 and 2022, respectively.

NOTE G – PENSION

The Organization has established a SEP IRA plan. Employees 21 years of age or older who have been employed with the Organization for at least one year and work 24 hours per week or more are eligible to participate in the plan. The employer contribution is 3 percent of employee salary after year 1 of employment, 4 percent of employee salary after year 2 of employment and 3 percent of employee salary after year 3 of employment. Total \$17,402 and \$16,148 for the years ended June 30, 2023 and 2022, respectively.



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NOTE H – CONTRIBUTIONS

The Organization receives contributions of food for the Community Kitchen program. The food is valued at actual cost if known or at \$1.79 per pound if cost is unknown. Recipients of food at the Community Kitchen receive the food at no charge. The financial statements reflect contribution support and assistance to individuals' expense of \$389,628 and \$283,516 at June 30, 2023 and 2022, respectively.

Contributions are also received for the clothing programs. Starting in 2018, in an effort to assign a dollar value to clothing donations, similar to the process for donated food, the Organization assigned \$1 to each piece of clothing that is provided free to individuals. The items are counted by staff and volunteers when they sort through donations and place them in the clothing programs. Items in these programs have a quick turnover rate, leaving a negligible inventory value on site. The financial statements reflect contribution support and assistance to individuals' expense of \$222,408 and \$200,247 at June 30, 2023 and 2022, respectively.

NOTE I – LINE OF CREDIT

The Organization has access to a line of credit of \$50,000 that has an expiration of December 5, 2023. The interest rate associated with the line of credit is prime plus 0.5%. The rate as of the date of this report is 9.0% per annum. As of June 30, 2023 and 2022 the balance of the line of credit is \$0 and \$0, respectively.

NOTE J – FUNCTIONAL EXPENSES

The Organization allocates expenses between program, fundraising and administrative. Direct costs for compensation and other items that pertain directly to programs are 100% allocated to program expenses. Prior to the fiscal year ending June 30, 2021 a portion of overall administrative costs are allocated to the various programs each year. The organization is now allocating costs on a direct allocation basis.

NOTE K – CONTINGENCIES

Repayment of Community Development Block Grant funds in the amount of \$313,790 for masonry and window repair, community kitchen repairs, the restroom accessibility project, parking lot renovations, and elevator installation could be required if the building is sold before 2024.

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NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For the purpose of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures for programming and general expenditures without restriction. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization invests excess available cash in bank savings.

Financial assets available for general expenditures without donor restriction, within one year of the date of the statement of financial position, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash in bank	\$ 740,248	\$ 703,739
Short-term investments	1,294,641	876,183
Accounts/grants receivable	83,578	213,153
Less: restricted grant receivable	<u>(19,556)</u>	<u>(116,556)</u>
 Financial assets available within one year to meet cash needs for expenditures	 <u>\$ 2,098,911</u>	 <u>\$ 1,676,519</u>

NOTE M – TAX STATUS

Accounting principles generally accepted in the United States of America require organization management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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NOTE N – REVENUE RECOGNITION

We have analyzed the provisions of the new accounting standard, ASC Topic 606, Accounting Standards Update, *Revenue from Contracts with Customers*, (ASU) 2014-09. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Program income is a result of rentals provided to various organizations that are housed in the building. Performance obligations are met on a monthly basis by providing space to the tenant. Revenue is recognized in the month of the rental.

Significant revenue streams consist of various grants and contributions. The Organization is dependent on various grants from foundations and individuals to provide services to low-income people.