

DAMIANO OF DULUTH, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024



DAMIANO OF DULUTH, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 17



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Independent Auditor's Report

January 26, 2026

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, 2025 and 2024, 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, 2025 and 2024, 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 it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 raises 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, 2025 AND 2024

	2025	2024
<u>Assets</u>		
<u>Current Assets:</u>		
Cash in bank	\$ 434,850	\$ 416,158
Cash in bank - board designated	396,177	377,519
Total cash in bank	831,027	793,677
Short term investments - board designated	1,507,342	1,411,882
Grants and contributions receivable	1,084,754	92,054
Prepaid expenses	16,559	13,351
Total Current Assets	3,439,682	2,310,964
Property and equipment, net of accumulated depreciation of \$1,991,621 and \$1,887,474, respectively	3,989,010	1,649,406
Total Assets	\$ 7,428,692	\$ 3,960,370
<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 1,059,067	\$ 3,042
Accrued expenses	74,057	45,885
Total Current Liabilities	1,133,124	48,927
<u>Net Assets:</u>		
Without donor restrictions	3,353,959	2,070,972
Without donor restrictions - board designated	1,903,519	1,789,401
With donor restrictions	1,038,090	51,070
Total Net Assets	6,295,568	3,911,443
Total Liabilities and Net Assets	\$ 7,428,692	\$ 3,960,370

See accompanying notes to financial statements

(3)

DAMIANO OF DULUTH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	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	\$ 627,154	\$ -	\$ 627,154	\$ 515,610	\$ -	\$ 515,610
Contributions - non cash	684,568	-	684,568	580,077	-	580,077
Government assistance	-	2,467,272	2,467,272	8,988	101,677	110,665
Grants / foundations	379,261	78,642	457,903	441,485	85,388	526,873
Total Public Support	1,690,983	2,545,914	4,236,897	1,546,160	187,065	1,733,225
<u>Revenues:</u>						
Program income	113,927	-	113,927	113,204	-	113,204
Interest	69,078	-	69,078	56,731	-	56,731
Market gains on investments	82,802	-	82,802	92,960	-	92,960
Miscellaneous	5,814	-	5,814	1,660	-	1,660
Total Revenue	271,621	-	271,621	264,555	-	264,555
Total Public Support And Revenues	1,962,604	2,545,914	4,508,518	1,810,715	187,065	1,997,780
Net assets released from restrictions	1,558,894	(1,558,894)	-	155,551	(155,551)	-
<u>Functional Expenses:</u>						
Program services	1,750,859	-	1,750,859	1,681,478	-	1,681,478
Fundraising	78,581	-	78,581	63,837	-	63,837
Administrative and general	294,953	-	294,953	171,542	-	171,542
Total Functional Expenses	2,124,393	-	2,124,393	1,916,857	-	1,916,857
Increase in net assets	1,397,105	987,020	2,384,125	49,409	31,514	80,923
Net assets, beginning of year	3,860,373	51,070	3,911,443	3,810,964	19,556	3,830,520
Net assets, end of year	\$ 5,257,478	\$ 1,038,090	\$ 6,295,568	\$ 3,860,373	\$ 51,070	\$ 3,911,443

See accompanying notes to financial statements

(4)

DAMIANO OF DULUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2025 Totals
Salaries	\$ 94,726	\$ 135,509	\$ 45,044	\$ 92,622	\$ 107,763	\$ 475,664	\$ 34,771	\$ 125,299	\$ 160,070	\$ 635,734
Payroll taxes and insurance	8,910	12,881	4,244	8,347	10,439	44,821	2,694	17,088	19,782	64,603
Employee benefits	6,949	18,051	11,458	9,802	8,542	54,802	3,754	64,506	68,260	123,062
Total Compensation	110,585	166,441	60,746	110,771	126,744	575,287	41,219	206,893	248,112	823,399
Communications	10,431	-	-	-	355	10,786	4,897	4,886	9,783	20,569
Contract services	180	66	-	105	22	373	16,964	13,486	30,450	30,823
Dues and subscriptions	44	136	-	911	520	1,611	4,316	9,710	14,026	15,637
Equipment	8,574	6,418	-	-	4,736	19,728	395	941	1,336	21,064
Insurance	28,816	-	-	-	-	28,816	-	427	427	29,243
Miscellaneous	157	1,087	-	1,171	95	2,510	3,258	10,930	14,188	16,698
Printing-publications	1,307	-	308	260	167	2,042	7,082	2,890	9,972	12,014
Program services	-	93,150	3,439	1,542	10,489	108,620	-	-	-	108,620
Program services - donated	-	224,512	460,056	-	-	684,568	-	-	-	684,568
Promotion	-	-	-	-	1,121	1,121	-	191	191	1,312
Repair and maintenance	9,396	6,451	-	-	4,488	20,335	-	-	-	20,335
Supplies	17,653	20,370	10,849	2,665	30,787	82,324	380	44,273	44,653	126,977
Travel	-	-	-	-	42	42	70	326	396	438
Utilities	107,539	-	-	-	1,011	108,550	-	-	-	108,550
Total expenses before depreciation	294,682	518,631	535,398	117,425	180,577	1,646,713	78,581	294,953	373,534	2,020,247
Depreciation	104,146	-	-	-	-	104,146	-	-	-	104,146
Total Expenses	\$ 398,828	\$ 518,631	\$ 535,398	\$ 117,425	\$ 180,577	\$ 1,750,859	\$ 78,581	\$ 294,953	\$ 373,534	\$ 2,124,393

DAMIANO OF DULUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2024 Totals
Salaries	\$ 85,474	\$ 130,146	\$ 62,904	\$ 79,927	\$ 116,515	\$ 474,966	\$ 19,852	\$ 100,095	\$ 119,947	\$ 594,913
Payroll taxes and insurance	8,296	12,820	5,817	7,894	12,328	47,155	1,609	9,510	11,119	58,274
Employee benefits	9,172	18,030	12,754	14,374	17,348	71,678	4,457	30,985	35,442	107,120
Total Compensation	102,942	160,996	81,475	102,195	146,191	593,799	25,918	140,590	166,508	760,307
Communications	11,387	-	-	-	23	11,410	3,563	1,275	4,838	16,248
Contract services	5,022	143	-	456	15	5,636	7,960	16,175	24,135	29,771
Dues and subscriptions	834	75	-	897	152	1,958	582	5,369	5,951	7,909
Equipment	10,719	2,870	-	2	8,425	22,016	3,510	77	3,587	25,603
Insurance	22,193	-	-	-	-	22,193	-	592	592	22,785
Miscellaneous	299	-	-	30	455	784	10,893	4,097	14,990	15,774
Printing-publications	852	12	105	413	179	1,561	7,565	944	8,509	10,070
Program services	-	111,638	-	4,497	8,648	124,783	-	48	48	124,831
Program services - donated	-	362,198	217,879	-	-	580,077	-	-	-	580,077
Promotion	-	-	-	-	-	-	3,133	-	3,133	3,133
Repair and maintenance	57,597	2,174	-	1,018	3,487	64,276	-	-	-	64,276
Supplies	17,424	23,059	2,845	3,821	10,797	57,946	713	2,375	3,088	61,034
Travel	-	-	-	-	-	-	-	-	-	-
Utilities	86,972	-	-	-	2,002	88,974	-	-	-	88,974
Total expenses before depreciation	316,241	663,165	302,304	113,329	180,374	1,575,413	63,837	171,542	235,379	1,810,792
Depreciation	106,065	-	-	-	-	106,065	-	-	-	106,065
Total Expenses	\$ 422,306	\$ 663,165	\$ 302,304	\$ 113,329	\$ 180,374	\$ 1,681,478	\$ 63,837	\$ 171,542	\$ 235,379	\$ 1,916,857

DAMIANO OF DULUTH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 2,384,125	\$ 80,923
<u>Adjustments to reconcile changes in net assets to net cash provided by operating activities</u>		
Depreciation	104,146	106,065
Change in market value	(82,802)	(92,960)
<u>(Increase) decrease in operating assets:</u>		
Grants and contributions receivable	(992,700)	(8,476)
Prepaid expenses	(3,208)	(3,922)
<u>(Increase) decrease in operating liabilities:</u>		
Accounts payable	1,056,025	(3,348)
Accrued expenses	28,172	(572)
Net Cash Flows From Operating Activities	<u>2,493,758</u>	<u>77,710</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	(2,443,750)	-
Purchase of short term investments	(12,658)	(24,281)
Net Cash Flows From Investing Activities	<u>(2,456,408)</u>	<u>(24,281)</u>
NET INCREASE IN CASH	37,350	53,429
Beginning cash balance	<u>793,677</u>	<u>740,248</u>
Ending cash balance	<u>\$ 831,027</u>	<u>\$ 793,677</u>
<u>Supplementary Information:</u>		
In-kind Contributions / Program expense	<u>\$ 684,568</u>	<u>\$ 580,077</u>

See accompanying notes to financial statements.

(7)

DAMIANO OF DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 temporary 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 make 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, 2025 AND 2024

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, 2025 AND 2024

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 temporary 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 and short-term investments, 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, 2025 AND 2024

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 June 30, 2025.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 26, 2026, 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>2025</u>	<u>2024</u>
Land - parking lot	\$ 48,400	\$ 48,400
Building and improvements	5,659,175	3,215,425
Equipment	273,056	273,056
Total	<u>5,980,631</u>	<u>3,536,881</u>
Less: accumulated depreciation	<u>(1,991,621)</u>	<u>(1,887,474)</u>
Total	<u>\$ 3,989,010</u>	<u>\$ 1,649,407</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, 2025 AND 2024

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, 2025.

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, 2025 AND 2024

NOTE C – SHORT-TERM INVESTMENTS (CONTINUED)

Investments are stated at current fair value and consisted of the following at June 30, 2025 and 2024:

	June 30, 2025			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Mutual funds	\$ 624,545	\$ -	\$ -	\$ 624,545
Corporate bonds	703,400	-	-	703,400
Money market funds	179,397	-	-	179,397
	\$1,507,342	\$ -	\$ -	\$ 1,507,342

	June 30, 2024			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Mutual funds	\$ 624,545	\$ -	\$ -	\$ 624,545
Corporate bonds	717,667	-	-	717,667
Money market funds	69,670	-	-	69,670
	\$1,411,882	\$ -	\$ -	\$ 1,411,882

	2025	2024
<u>Investment Income:</u>		
Change in market value of investments	\$ 82,802	\$ 92,960
Investment fees	(12,125)	(9,945)
Interest and dividends	69,078	56,731
	\$ 139,755	\$ 139,746

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, 2025 AND 2024

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. The Organization has board designated net assets of \$1,903,519 and \$1,789,401 for the years ending June 30, 2025 and 2024, respectively.

NOTE E – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions are available for the following specific program services at June 30:

	2025	2024
Restricted cash	\$ 26,325	\$ 33,358
<u>Grants and contribution receivables:</u>		
EFSP Community Kitchen	-	2,500
United Way Community Kitchen	11,765	10,812
St. Louis County Community Programming	-	4,400
City of Duluth Third Floor Project	1,000,000	-
	\$ 1,038,090	\$ 51,070

NOTE F – PROGRAM INCOME

The Organization leases space to unrelated organizations on a month-to-month basis. Rental income from these unrelated parties was \$124,400 and \$98,380 for the years ended June 30, 2025 and 2024, respectively. Miscellaneous income was \$5,814 and \$1,660 for the years ended June 30, 2025 and 2024, 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 \$21,390 and \$18,121 for the years ended June 30, 2025 and 2024, respectively.

DAMIANO OF DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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 \$1.73 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 \$224,512 and \$362,198 at June 30, 2025 and 2024, 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 \$1-3 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 \$460,056 and \$217,879 at June 30, 2025 and 2024, 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, 2025. The interest rate associated with the line of credit is prime plus 0.5%. The rate as of the date of this report is 8.25% per annum. As of June 30, 2025 and 2024 the balance of the line of credit is \$0 and \$0, respectively.

NOTE J – FUNCTIONAL EXPENSES

The costs of program and supporting services have been summarized on a functional basis in the statements of functional expenses, which present the natural classification detail of expenses by function. Certain costs have been allocated among program expenses, fundraising and management and general. The major expenses allocated include salaries and benefits, which are allocated on the basis of estimated time and effort to each category.

DAMIANO OF DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE K – 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>2025</u>	<u>2024</u>
Cash in bank	\$ 831,027	\$ 793,677
Short-term investments	1,507,342	1,411,882
Accounts/grants receivable	1,084,754	92,054
Less: restricted assets	<u>(1,038,090)</u>	<u>(51,070)</u>
Financial assets available within one year to meet cash needs for expenditures	<u>\$ 2,385,033</u>	<u>\$ 2,246,543</u>

NOTE L – 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, 2025, 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.

DAMIANO OF DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE M – 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 for 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.