

DAMIANO OF DULUTH, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



DAMIANO OF DULUTH, INC.

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## Independent Auditor's Report

October 20, 2022

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, 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 Damiano of Duluth, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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, that 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 the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Lucan, Larsen + Co LTD*

DAMIANO OF DULUTH, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash in bank	\$ 453,739	\$ 331,120
Cash in bank - board designated	250,000	200,387
Total cash in bank	<u>703,739</u>	<u>531,507</u>
Short term investments - board designated	876,183	969,844
Grants and contributions receivable	213,153	101,762
Prepaid expenses	23,848	20,087
Total Current Assets	<u>1,816,923</u>	<u>1,623,200</u>
Property and equipment, net of accumulated depreciation of \$1,674,140 and \$1,566,869, respectively	<u>1,862,741</u>	<u>1,970,012</u>
Total Assets	<u><u>\$ 3,679,664</u></u>	<u><u>\$ 3,593,212</u></u>
<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 5,453	\$ 6,029
Accrued expenses	31,641	58,364
Deferred revenue	694	1,881
Total Current Liabilities	<u>37,788</u>	<u>66,274</u>
<u>Net Assets:</u>		
Without donor restrictions	2,399,137	2,319,182
Without donor restrictions - board designated	1,126,183	1,170,231
With donor restrictions	116,556	37,525
Total Net Assets	<u>3,641,876</u>	<u>3,526,938</u>
Total Liabilities and Net Assets	<u><u>\$ 3,679,664</u></u>	<u><u>\$ 3,593,212</u></u>

See accompanying notes to financial statements

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DAMIANO OF DULUTH, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	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	\$ 562,285	\$ -	\$ 562,285	\$ 442,027	\$ -	\$ 442,027
Contributions - non cash	483,763	-	483,763	197,565	-	197,565
Government assistance	4,903	241,431	246,334	1,120	42,000	43,120
Grants / foundations	365,404	22,707	388,111	124,707	281,240	405,947
Grants - COVID Support	-	-	-	84,000	-	84,000
PPP loan forgiveness	-	-	-	110,150	-	110,150
Total Public Support	<u>1,416,355</u>	<u>264,138</u>	<u>1,680,493</u>	<u>959,569</u>	<u>323,240</u>	<u>1,282,809</u>
<u>Revenues:</u>						
Program income	85,224	-	85,224	84,924	-	84,924
Interest	31,942	-	31,942	16,410	-	16,410
Market gains (losses) on investments	(145,643)	-	(145,643)	121,180	-	121,180
Miscellaneous	6,889	-	6,889	7,419	-	7,419
Total Revenue	<u>(21,588)</u>	<u>-</u>	<u>(21,588)</u>	<u>229,933</u>	<u>-</u>	<u>229,933</u>
Total Public Support And Revenues	<u>1,394,767</u>	<u>264,138</u>	<u>1,658,905</u>	<u>1,189,502</u>	<u>323,240</u>	<u>1,512,742</u>
Net assets released from restrictions	<u>185,107</u>	<u>(185,107)</u>	<u>-</u>	<u>342,456</u>	<u>(342,456)</u>	<u>-</u>
<u>Functional Expenses:</u>						
Program services	1,382,338	-	1,382,338	1,061,127	-	1,061,127
Fundraising	41,116	-	41,116	28,322	-	28,322
Administrative and general	120,513	-	120,513	157,160	-	157,160
Total Functional Expenses	<u>1,543,967</u>	<u>-</u>	<u>1,543,967</u>	<u>1,246,609</u>	<u>-</u>	<u>1,246,609</u>
Increase (decrease) in net assets	35,907	79,031	114,938	285,349	(19,216)	266,133
Net assets, beginning of year	<u>3,489,413</u>	<u>37,525</u>	<u>3,526,938</u>	<u>3,204,064</u>	<u>56,741</u>	<u>3,260,805</u>
Net assets, end 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>

See accompanying notes to financial statements

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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	 \$ 381,227	 \$ 499,386	 \$ 256,391	 \$ 97,537	 \$ 147,797	 \$1,382,338	 \$ 41,116	 \$ 120,513	 \$ 161,629	 \$ 1,543,967

DAMIANO OF DULUTH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2021 Totals
Salaries	\$ 61,956	\$ 170,621	\$ 42,242	\$ 60,113	\$ 66,063	\$ 400,995	\$ 18,665	\$ 99,594	\$ 118,259	\$ 519,254
Payroll taxes and insurance	7,624	17,982	4,491	6,533	7,058	43,688	1,628	7,716	9,344	53,032
Employee benefits	11,062	10,990	11,386	12,414	9,311	55,163	3,371	19,741	23,112	78,275
Total Compensation	80,642	199,593	58,119	79,060	82,432	499,846	23,664	127,051	150,715	650,561
Communications	14,054	-	-	-	4	14,058	118	2,272	2,390	16,448
Contract services	-	1,798	-	2,312	60	4,170	-	12,240	12,240	16,410
Dues and subscriptions	791	625	-	-	406	1,822	54	872	926	2,748
Equipment	-	-	-	-	-	-	-	-	-	-
Insurance	12,614	-	-	-	-	12,614	-	891	891	13,505
Miscellaneous	45	195	30	240	895	1,405	2,781	4,949	7,730	9,135
Printing-publications	516	64	14	261	183	1,038	1,077	4,945	6,022	7,060
Program services	-	52,048	356	9,807	10,439	72,650	-	-	-	72,650
Program services - donated	-	145,661	51,904	-	-	197,565	-	-	-	197,565
Promotion	-	-	-	-	-	-	-	-	-	-
Repair and maintenance	14,354	5,461	-	462	-	20,277	-	750	750	21,027
Supplies	24,270	17,595	184	894	7,669	50,612	628	3,169	3,797	54,409
Travel	227	185	-	-	66	478	-	21	21	499
Utilities	77,091	-	-	-	1,681	78,772	-	-	-	78,772
Total expenses before depreciation	224,604	423,225	110,607	93,036	103,835	955,307	28,322	157,160	185,482	1,140,789
Depreciation	105,820	-	-	-	-	105,820	-	-	-	105,820
<b>Total Expenses</b>	<b>\$ 330,424</b>	<b>\$ 423,225</b>	<b>\$ 110,607</b>	<b>\$ 93,036</b>	<b>\$ 103,835</b>	<b>\$ 1,061,127</b>	<b>\$ 28,322</b>	<b>\$ 157,160</b>	<b>\$ 185,482</b>	<b>\$ 1,246,609</b>



DAMIANO OF DULUTH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 114,938	\$ 266,133
<u>Adjustments to reconcile changes in net assets to net cash provided by operating activities</u>		
Depreciation	107,271	105,820
Change in market value	145,643	(121,180)
PPP loan forgiveness	-	(110,150)
<u>(Increase) decrease in operating assets:</u>		
Grants and contributions receivable	(111,391)	18,729
Prepaid expenses	(3,761)	2,052
<u>(Increase) decrease in operating liabilities:</u>		
Accounts payable	(576)	2,763
Accrued expenses	(27,910)	10,500
Net Cash Flows From Operating Activities	<u>224,214</u>	<u>174,667</u>
<u>Cash Flows From Investing Activities:</u>		
Acquisition of property, plant and equipment	-	(106,702)
Purchase of short term investments	(51,982)	(63,168)
Net Cash Flows From Investing Activities	<u>(51,982)</u>	<u>(169,870)</u>
NET INCREASE IN CASH	172,232	4,797
Beginning cash balance	<u>531,507</u>	<u>526,710</u>
Ending cash balance	<u>\$ 703,739</u>	<u>\$ 531,507</u>
<u>Supplementary Information:</u>		
In-kind Contributions / Program expense	<u>\$ 483,763</u>	<u>\$ 197,565</u>

See accompanying notes to financial statements.

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DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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 meets their survival needs.

Source of Income

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

Financial Statements

In accordance with accounting standards, Damiano of Duluth, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2022 AND 2021

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, 2022 AND 2021

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, 2022 AND 2021

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

Change in Accounting Principle

The FASB has issued an Accounting Standards Update (ASU 2016-14) – *Presentation of Financials Statements of Not-for-Profit Entities*. The update addresses the complexity of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented this standard in 2018 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 20, 2022, 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>2022</u>	<u>2021</u>
Land - parking lot	\$ 48,400	\$ 48,400
Building and improvements	3,215,425	3,215,425
Equipment	<u>273,056</u>	<u>273,056</u>
Total	3,536,881	3,536,881
Less: accumulated depreciation	<u>(1,674,140)</u>	<u>(1,566,869)</u>
Total	<u>\$ 1,862,741</u>	<u>\$ 1,970,012</u>

The land and building that houses the Damiano Center were acquired through a donation in 1991. 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, 2022 AND 2021

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. 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, 2022.

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, 2022 AND 2021

NOTE C – SHORT-TERM INVESTMENTS (CONTINUED)

Investments are state at current fair value and consisted of the following at June 30, 2022 and 2021:

	June 30, 2022			
	Level	Level	Level	Total
	1	2	3	
<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
	June 30, 2021			
	Level	Level	Level	Total
	1	2	3	
<u>Investments:</u>				
Mutual funds	\$ 479,200	\$ -	\$ -	\$ 479,200
Corporate bonds	466,466	-	-	466,466
Money market funds	24,178	-	-	24,178
	\$ 969,844	\$ -	\$ -	\$ 969,844

	2022	2021
<u>Investment Income:</u>		
Change in unrealized gains on investments	\$ (138,530)	\$128,212
Investment fees	(7,113)	(7,032)
Interest and dividends	30,736	15,886
	\$ (114,907)	\$137,066

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, 2022 AND 2021

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:

		<u>2022</u>	<u>2021</u>
United Way	Clothes that Work, Community Kitchen, Kids Kitchen	\$ -	\$ 34,025
EFSP	Community Kitchen	29,431	3,500
CDBG	Hygiene Unit	53,125	-
DSACF	Kids Kitchen	5,000	-
Junior League	Community Kitchen	3,000	-
		<u>26,000</u>	<u>-</u>
		<u>\$ 116,556</u>	<u>\$ 37,525</u>

NOTE F – PROGRAM INCOME

The Organization leases space to unrelated organizations on a month-to-month basis. Rental income from these unrelated parties was \$75,486 and \$70,940 for the years ended June 30, 2022 and 2021, respectively. Miscellaneous income was \$9,738 and \$13,984 for the years ended June 30, 2022 and 2021, 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 three years 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 \$16,148 and \$17,217 for the years ended June 30, 2022 and 2021, 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 \$1.74 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 \$283,516 and \$145,661 at June 30, 2022 and 2021, 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 turn-over rate, leaving a negligible inventory value on site.

NOTE I – LINE OF CREDIT

The Organization has access to a line of credit of \$50,000 that has an expiration of December 30, 2022. The interest rate associated with the line of credit is prime plus 0.5%. The rate as of the date of this report is 5.25% per annum. As of June 30, 2022 and 2021 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 expense. 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 \$860,930 and \$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 2021 and 2024, respectively.

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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 purposes 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>2022</u>	<u>2021</u>
Cash in bank	\$ 703,739	\$ 531,507
Short-term investments	876,183	969,844
Accounts/grants receivable	213,153	101,762
Less: restricted grant receivable	<u>(116,556)</u>	<u>(37,525)</u>
Financial assets available within one year to meet cash needs for expenditures	<u>\$ 1,676,519</u>	<u>\$ 1,565,588</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, 2022, 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 a 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.