

**DAMIANO OF DULUTH, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**



DAMIANO OF DULUTH, INC.

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## Independent Auditor's Report

October 2, 2020

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

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Licari, Larsen & Co. LTD*

DAMIANO OF DULUTH, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash in bank	\$ 526,710	\$ 61,956
Short term investments	785,496	668,931
Grants and contributions receivable	120,491	140,461
Prepaid expenses	22,139	17,299
Total Current Assets	<u>1,454,836</u>	<u>888,647</u>
Property and equipment, net of accumulated depreciation of \$1,461,048 and \$1,357,687, respectively	<u>1,969,130</u>	<u>2,059,512</u>
Total Assets	<u><u>\$ 3,423,966</u></u>	<u><u>\$ 2,948,159</u></u>
<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>		
Current maturities of long term debt	\$ 61,142	\$ -
Accounts payable	3,266	12,565
Accrued expenses	45,875	34,215
Deferred revenue	3,870	951
Total Current Liabilities	<u>114,153</u>	<u>47,731</u>
Long-term debt	<u>49,008</u>	<u>-</u>
<u>Net Assets:</u>		
Without donor restrictions	3,204,064	2,858,573
With donor restrictions	56,741	41,855
Total Net Assets	<u>3,260,805</u>	<u>2,900,428</u>
Total Liabilities and Net Assets	<u><u>\$ 3,423,966</u></u>	<u><u>\$ 2,948,159</u></u>

See accompanying notes to financial statements

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DAMIANO OF DULUTH, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	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	\$ 793,951	\$ -	\$ 793,951	\$ 949,389	\$ -	\$ 949,389
Contributions - non cash	399,501	-	399,501	441,929	-	441,929
Grants	96,401	309,883	406,284	124,197	272,366	396,563
Total Public Support	<u>1,289,853</u>	<u>309,883</u>	<u>1,599,736</u>	<u>1,515,515</u>	<u>272,366</u>	<u>1,787,881</u>
<u>Revenues:</u>						
Program income	64,438	-	64,438	58,571	-	58,571
Interest	16,889	-	16,889	19,941	-	19,941
Unrealized gains on investments	15,797	-	15,797	24,836	-	24,836
Miscellaneous	1,568	-	1,568	9,976	-	9,976
Total Revenue	<u>98,692</u>	<u>-</u>	<u>98,692</u>	<u>113,324</u>	<u>-</u>	<u>113,324</u>
Total Public Support And Revenues	<u>1,388,545</u>	<u>309,883</u>	<u>1,698,428</u>	<u>1,628,839</u>	<u>272,366</u>	<u>1,901,205</u>
Net assets released from restrictions	<u>294,997</u>	<u>(294,997)</u>	<u>-</u>	<u>284,781</u>	<u>(284,781)</u>	<u>-</u>
<u>Functional Expenses:</u>						
Program services	1,224,191	-	1,224,191	1,246,514	-	1,246,514
Fundraising	29,551	-	29,551	53,278	-	53,278
Administrative and general	84,309	-	84,309	73,401	-	73,401
Total Functional Expenses	<u>1,338,051</u>	<u>-</u>	<u>1,338,051</u>	<u>1,373,193</u>	<u>-</u>	<u>1,373,193</u>
Increase (decrease) in net assets	345,491	14,886	360,377	540,427	(12,415)	528,012
Net assets, beginning of year	<u>2,858,573</u>	<u>41,855</u>	<u>2,900,428</u>	<u>2,318,146</u>	<u>54,270</u>	<u>2,372,416</u>
Net assets, end of year	<u>\$ 3,204,064</u>	<u>\$ 56,741</u>	<u>\$ 3,260,805</u>	<u>\$ 2,858,573</u>	<u>\$ 41,855</u>	<u>\$ 2,900,428</u>

See accompanying notes to financial statements

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DAMIANO OF DULUTH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2020 Totals
Salaries	\$ 73,888	\$ 110,721	\$ 45,800	\$ 54,329	\$ 47,221	\$ 331,959	\$ 20,717	\$ 96,872	\$ 117,589	\$ 449,548
Payroll taxes and insurance	7,095	10,428	4,350	5,949	4,304	32,126	1,718	7,809	9,527	41,653
Employee benefits	9,735	8,245	8,426	7,978	8,691	43,075	2,354	8,413	10,767	53,842
Total Compensation	90,718	129,394	58,576	68,256	60,216	407,160	24,789	113,094	137,883	545,043
Administrative	-	27,628	13,207	13,470	8,886	63,191	410	(63,601)	(63,191)	-
Conference and workshops	102	564	45	105	55	871	97	1,196	1,293	2,164
Communications	10,849	-	-	25	16	10,890	283	2,959	3,242	14,132
Contract services	1,510	90	-	8,415	40	10,055	-	10,386	10,386	20,441
Dues and subscriptions	100	660	-	-	250	1,010	54	822	876	1,886
Equipment	8,887	6,516	-	-	-	15,403	499	1,181	1,680	17,083
Insurance	12,958	-	-	-	-	12,958	-	995	995	13,953
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	50	115	-	-	-	165	1,399	3,064	4,463	4,628
Printing-publications	805	42	66	103	802	1,818	1,582	5,206	6,788	8,606
Program services	-	36,362	248	31,534	7,942	76,086	-	-	-	76,086
Program services - donated	-	190,759	208,742	-	-	399,501	-	-	-	399,501
Promotion	-	-	-	-	-	-	244	606	850	850
Repair and maintenance	24,557	986	-	486	684	26,713	-	-	-	26,713
Supplies	21,202	7,357	252	1,037	234	30,082	194	3,503	3,697	33,779
Travel	224	194	-	140	257	815	-	9	9	824
Utilities	69,001	-	-	-	-	69,001	-	-	-	69,001
Total expenses before depreciation	240,963	400,667	281,136	123,571	79,382	1,125,719	29,551	79,420	108,971	1,234,690
Depreciation	98,472	-	-	-	-	98,472	-	4,889	4,889	103,361
Total Expenses	<u>\$ 339,435</u>	<u>\$ 400,667</u>	<u>\$ 281,136</u>	<u>\$ 123,571</u>	<u>\$ 79,382</u>	<u>\$1,224,191</u>	<u>\$ 29,551</u>	<u>\$ 84,309</u>	<u>\$ 113,860</u>	<u>\$ 1,338,051</u>

DAMIANO OF DULUTH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019

	Building	Community Kitchen	Clothing	Childrens Programs	Community Programing	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	2019 Totals
Salaries	\$ 62,618	\$ 91,514	\$ 42,642	\$ 66,845	\$ 43,575	\$ 307,194	\$ 32,544	\$ 95,684	\$ 128,228	\$ 435,422
Payroll taxes and insurance	6,790	10,430	4,491	7,285	4,162	33,158	2,623	8,564	11,187	44,345
Employee benefits	9,819	7,500	8,156	12,815	9,122	47,412	8,103	6,778	14,881	62,293
Total Compensation	79,227	109,444	55,289	86,945	56,859	387,764	43,270	111,026	154,296	542,060
Administrative	-	29,697	15,685	21,688	12,302	79,372	6,766	(86,138)	(79,372)	-
Conference and workshops	-	649	86	130	58	923	-	282	282	1,205
Communications	6,273	-	-	-	138	6,411	-	4,326	4,326	10,737
Contract services	10	843	1,666	843	2,218	5,580	-	11,367	11,367	16,947
Dues and subscriptions	100	760	-	-	250	1,110	54	972	1,026	2,136
Equipment	10,415	3,501	598	555	-	15,069	-	1,917	1,917	16,986
Insurance	15,503	-	-	-	-	15,503	-	1,145	1,145	16,648
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	142	273	61	243	120	839	15	1,491	1,506	2,345
Printing-publications	1,629	252	65	211	561	2,718	1,953	4,719	6,672	9,390
Program services	280	50,299	149	12,439	10,956	74,123	-	-	-	74,123
Program services - donated	-	156,971	284,958	-	-	441,929	-	-	-	441,929
Promotion	-	20	39	20	39	118	1,220	660	1,880	1,998
Repair and maintenance	17,529	1,457	-	-	-	18,986	-	-	-	18,986
Supplies	17,113	9,234	100	1,271	315	28,033	-	3,949	3,949	31,982
Travel	472	242	7	7	127	855	-	-	-	855
Utilities	68,707	-	-	-	-	68,707	-	-	-	68,707
Total expenses before depreciation	217,400	363,642	358,703	124,352	83,943	1,148,040	53,278	55,716	108,994	1,257,034
Depreciation	98,474	-	-	-	-	98,474	-	17,685	17,685	116,159
Total Expenses	<u>\$ 315,874</u>	<u>\$ 363,642</u>	<u>\$ 358,703</u>	<u>\$ 124,352</u>	<u>\$ 83,943</u>	<u>\$ 1,246,514</u>	<u>\$ 53,278</u>	<u>\$ 73,401</u>	<u>\$ 126,679</u>	<u>\$ 1,373,193</u>

DAMIANO OF DULUTH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Increase in net assets	\$ 360,377	\$ 528,012
<u>Adjustments to reconcile changes in net assets to net cash provided by operating activities</u>		
Depreciation	103,361	116,159
Change in market value	(15,797)	(24,836)
<u>(Increase) decrease in operating assets:</u>		
Grants and contributions receivable	19,970	4,653
Prepaid expenses	(4,840)	(2,708)
<u>(Increase) decrease in operating liabilities:</u>		
Accounts payable	(9,299)	(3,905)
Accrued expenses	14,579	(2,030)
Net Cash Flows From Operating Activities	<u>468,351</u>	<u>615,345</u>
<u>Cash Flows From Investing Activities:</u>		
Acquisition of property, plant and equipment	(13,079)	-
Purchase of short term investments	<u>(100,668)</u>	<u>(644,095)</u>
Net Cash Flows From Investing Activities	<u>(113,747)</u>	<u>(644,095)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from long-term financing	<u>110,150</u>	<u>-</u>
Net Cash Flows From Financing Activities	<u>110,150</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	464,754	(28,750)
Beginning cash balance	<u>61,956</u>	<u>90,706</u>
Ending cash balance	<u><u>\$ 526,710</u></u>	<u><u>\$ 61,956</u></u>
<u>Supplementary Information:</u>		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Supplementary Information:</u>		
In-kind Contributions / Program expense	<u><u>\$ 399,501</u></u>	<u><u>\$ 441,929</u></u>

See accompanying notes to financial statements.

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DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

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 that 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, 2020 AND 2019

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, 2020 AND 2019

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 2, 2020, 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>2020</u>	<u>2019</u>
Land - parking lot	\$ 48,400	\$ 48,400
Building and improvements	3,177,842	3,177,842
Equipment	<u>203,936</u>	<u>190,957</u>
Total	3,430,178	3,417,199
Less: accumulated depreciation	<u>(1,461,048)</u>	<u>(1,357,687)</u>
Total	<u>\$ 1,969,130</u>	<u>\$ 2,059,512</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, 2020 AND 2019

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, 2020.

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, 2020 AND 2019

NOTE C – SHORT-TERM INVESTMENTS (CONTINUED)

Investments are state at current fair value and consisted of the following at June 30, 2020 and 2019:

June 30, 2020				
	Level 1	Level 2	Level 3	Total
<u>Investments:</u>				
Mutual funds	\$ 554,066	\$ -	\$ -	\$ 554,066
Corporate bonds	158,629	-	-	158,629
Money market funds	72,801	-	-	72,801
	<u>\$ 785,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,496</u>
June 30, 2019				
	Level 1	Level 2	Level 3	Total
<u>Investments:</u>				
Mutual funds	\$ 492,783	\$ -	\$ -	\$ 492,783
Corporate bonds	150,000	-	-	150,000
Money market funds	26,148	-	-	26,148
	<u>\$ 668,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,931</u>

Investment Income:	2020	2019
Change in unrealized gains on investments	\$ 15,797	\$ 24,836
Investment fees	(3,069)	(3,116)
Interest and dividends	18,786	16,830
	<u>\$ 31,514</u>	<u>\$ 38,550</u>

DAMIANO OF DULUTH, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

NOTE D – NET ASSETS WITH RESTRICTIONS

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

		<u>2020</u>	<u>2019</u>
United Way	Clothes that Work, Soup Kitchen, Kids Café	\$ 39,741	\$ 41,833
EFSP	Soup Kitchen	17,000	-
Cash	Capital Campaign	<u>-</u>	<u>22</u>
		<u>\$ 56,741</u>	<u>\$ 41,855</u>

NOTE E – PROGRAM INCOME

The Organization leases space to unrelated organizations on a month-to-month basis. Rental income from these unrelated parties was \$55,505 and \$49,595 for the years ended June 30, 2020 and 2019, respectively. Miscellaneous income was \$10,501 and \$18,952 for the years ended June 30, 2020 and 2019, respectively.

NOTE F – PENSION

The Organization has established a 403(b) and 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 5 percent of employee salary and totaled \$6,488 and \$8,861 for the years ended June 30, 2020 and 2019, respectively.

NOTE G – CONTRIBUTIONS

The Organization receives contributions of food for the Soup Kitchen program. The food is valued at actual cost if known or at \$1.62 per pound if cost is unknown. Recipients of food at the Soup Kitchen receive the food at no charge. The financial statements reflect contribution support and assistance to individuals' expense of \$190,759 and \$156,971 at June 30, 2020 and 2019, 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.

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NOTE H – LONG TERM DEBT

Long term debt consists of the following:

	<u>2020</u>	<u>2019</u>
<b><i>North Shore Bank of Commerce -</i></b>		
The note is part of the Small Business Administration's Paycheck Protection Program (PPP). Required monthly payments of principal and interest of \$6,200 begin seven months from the note date of April 24, 2020. The loan has an interest rate of 1.0% with a maturity of April 24, 2022.		
	<u>\$ 110,150</u>	<u>\$ -</u>
Total	110,150	-
Less: Current Portion	<u>(61,142)</u>	<u>-</u>
Long term debt, less current portion	<u><u>\$ 49,008</u></u>	<u><u>\$ -</u></u>

Maturities of long-term debt for the next five years are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 61,142
2022	49,008
2023	-
2024	-
2025	-
Thereafter	<u>-</u>
Total	<u><u>\$ 110,150</u></u>

The Organization received a loan as part of the Small Business Administration's Paycheck Protection Program (PPP). The PPP loan program is intended to provide qualifying organizations with short term financing to assist with the recent economic conditions brought forth from the COVID-19 pandemic. The PPP program allows for full loan forgiveness if certain criteria for the spending of the loan proceeds is achieved.



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NOTE I – 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. A portion of overall administrative costs are allocated to the various programs each year. The total administrative expense allocated was \$63,601 in 2020 and \$86,138 in 2019 representing 43% and 54% of total administrative costs for 2020 and 2019, respectively.

NOTE J – CONTINGENCIES

Repayment of Community Development Block Grant funds in the amount of \$860,930 and \$313,790 for masonry and window repair, soup 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.

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 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>2020</u>
Cash in bank	\$ 526,710
Short-term investments	785,496
Accounts/grants receivable	<u>120,491</u>
Financial assets available within one year to meet cash needs for expenditures	<u>\$ 1,432,697</u>

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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, 2020, 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.

NOTE M – REVENUE RECOGNITION

We have analyzed the provisions of the new accounting standard, ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes in revenue recognition are necessary to transition to the new standard. Significant revenue streams consist of various grants and contributions.

Revenues are dependent on various grants from foundations and individuals to provide services to low income people.,