
DUO DOGS, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

DUO DOGS, INC. AND SUBSIDIARY

JUNE 30, 2018

<u>Table of Contents</u>	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Independent Auditors' Report on Supplementary Information	18
Consolidating Statement of Financial Position	19
Consolidating Statement of Activities	20



Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road
Suite 201
St. Louis, MO
63141

314.812-1100
f.314.812-1199

kieferbonfanti.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Duo Dogs, Inc. and Subsidiary
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of **Duo Dogs, Inc. and Subsidiary** (a not-for-profit corporation), which comprise the consolidated statements of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Duo Dogs, Inc. and Subsidiary** as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Duo Dogs, Inc., and Subsidiary's consolidated financial statements for the year ended June 30, 2017, and our report dated October 12, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 15, 2018

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2017)**

Assets	June 30,	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 615,736	\$ 651,386
Contributions receivable:		
United Way of Greater St. Louis	70,086	79,512
Pledges receivable	-	334,500
Accounts receivable	10,300	8,790
Prepaid expenses	20,546	17,679
Accrued interest	497	423
Total Current Assets	717,165	1,092,290
Contributions Receivable - Long-Term, Net of Discounts		
	190,363	385,485
Property and Equipment, Net	4,332,439	4,344,663
Loan Fees, Net	-	3,092
Investments	662,402	445,076
Total Assets	\$ 5,902,369	\$ 6,270,606
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 57,494	\$ 15,156
Accrued expenses	42,398	29,189
Deferred revenue	7,650	7,810
Current maturities of long-term debt	-	14,743
Total Current Liabilities	107,542	66,898
Other Liabilities		
Long-term debt, net of current maturities	-	433,749
Total Liabilities	107,542	500,647
Net Assets		
Unrestricted		
Undesignated	5,130,376	4,562,915
Board designated - operating reserve	230,000	230,000
Temporarily restricted	284,451	827,044
Permanently restricted	150,000	150,000
Total Net Assets	5,794,827	5,769,959
Total Liabilities and Net Assets	\$ 5,902,369	\$ 6,270,606

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2017
Support, Revenue and Gains					
Contributions:					
General, grants, and government contracts	\$ 498,353	113,434	-	\$ 611,787	\$ 657,417
Capital campaign	(29,622)	30,000	-	378	17,238
United Way of Greater St. Louis	-	140,173	-	140,173	164,234
Program service fees	29,080	-	-	29,080	25,673
Obedience revenues	54,135	-	-	54,135	71,445
Special events, net of direct expenses of \$101,612	387,668	-	-	387,668	211,582
In-kind contributions	166,829	-	-	166,829	79,895
Loss on disposition of assets	-	-	-	-	(2,403)
Realized gains (losses)	2,384	-	-	2,384	(752)
Unrealized gains	21,528	-	-	21,528	34,128
Other revenue	5,991	-	-	5,991	2,725
Interest and dividends	19,158	-	-	19,158	7,771
Support and Revenue Available	1,155,504	283,607	-	1,439,111	1,268,953
Net assets released from restrictions	826,200	(826,200)	-	-	-
Total Support, Revenue and Gains	1,981,704	(542,593)	-	1,439,111	1,268,953
Expenses					
Program Services					
Assistance dog program	772,599	-	-	772,599	641,038
TOUCH program	94,542	-	-	94,542	73,306
PAWS for Reading program	50,601	-	-	50,601	45,312
Outreach program	126,545	-	-	126,545	68,019
Total Program Services	1,044,287	-	-	1,044,287	827,675
Supporting Services					
General and administrative	299,793	-	-	299,793	188,527
Obedience expenses	51,483	-	-	51,483	50,503
Fundraising	18,680	-	-	18,680	17,057
Total Supporting Services	369,956	-	-	369,956	256,087
Total Expenses	1,414,243	-	-	1,414,243	1,083,762
Change in Net Assets	567,461	(542,593)	-	24,868	185,191
Net Assets, Beginning of Year	4,792,915	827,044	150,000	5,769,959	5,584,768
Net Assets, End of Year	\$5,360,376	284,451	150,000	\$ 5,794,827	\$ 5,769,959

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2017)**

	Program Services					Supporting Services				Total	2017
	Assistance	PAWS for			Total	Mgmt.	Fundraising		Total		
	Dog Program	TOUCH Program	Reading Program	Outreach Program	Program Services	and General	Obedience Classes	Other	Supporting Services		
Salaries and wages	\$ 278,850	56,319	19,963	83,172	438,304	167,887	27,897	6,784	202,568	\$ 640,872	\$ 542,180
Payroll taxes	20,833	4,208	1,491	6,214	32,746	12,543	2,084	507	15,134	47,880	41,309
Other employee benefits	27,416	5,537	1,963	8,177	43,093	16,506	2,743	667	19,916	63,009	47,486
Professional fees	99,943	6,448	6,448	6,448	119,287	83,374	3,224	3,224	89,822	209,109	79,366
Depreciation and amortization	83,271	5,372	5,372	5,372	99,387	2,686	2,686	2,686	8,058	107,445	117,096
Other	81,482	1,765	1,765	1,765	86,777	882	8,053	882	9,817	96,594	36,635
Occupancy	59,055	3,810	3,810	3,810	70,485	1,905	1,905	1,905	5,715	76,200	62,003
Program supplies	27,096	3,011	3,011	3,011	36,129	-	-	-	-	36,129	33,926
Bank and credit card charges, and investment fees	6,693	1,386	494	1,822	10,395	7,651	665	162	8,478	18,873	17,961
Insurance	14,580	941	941	941	17,403	470	470	470	1,410	18,813	6,558
Information technology	13,405	865	865	865	16,000	432	432	432	1,296	17,296	5,703
Travel and mileage reimbursement	10,449	697	697	697	12,540	1,393	-	-	1,393	13,933	16,947
Office supplies	8,650	558	558	558	10,324	279	279	279	837	11,161	13,729
Staff development	7,515	835	835	835	10,020	-	-	-	-	10,020	3,589
Volunteer appreciation	7,271	485	485	485	8,726	970	-	-	970	9,696	10,498
Interest expense	4,766	538	338	506	6,148	1,382	378	129	1,889	8,037	19,129
Printing and copying	5,207	336	336	336	6,215	168	168	168	504	6,719	7,817
Telephone	3,802	422	422	422	5,068	-	-	-	-	5,068	3,044
Postage	3,023	195	195	195	3,608	98	98	98	294	3,902	4,255
Meetings and in-house events	2,764	178	178	178	3,298	89	89	89	267	3,565	5,856
Data processing - payroll	1,509	312	111	411	2,343	916	150	36	1,102	3,445	2,208
Dues and subscriptions	2,623	169	169	169	3,130	85	85	85	255	3,385	6,468
Loss on unamortized loan fees	2,396	155	155	155	2,861	77	77	77	231	3,092	-
Total	\$ 772,599	94,542	50,601	126,545	1,044,287	299,793	51,483	18,680	369,956	\$ 1,414,243	\$ 1,083,762
	54.6%	6.7%	3.6%	8.9%	73.8%	21.2%	3.7%	1.3%	26.2%	100.0%	

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2017)**

	June 30,	
	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	\$ 24,868	\$ 185,191
Adjustments:		
In-kind contributions	(112,695)	(68,809)
Depreciation and amortization	107,445	117,096
Realized and unrealized (gains) losses on investments	(23,912)	(34,128)
Contributions restricted for capital campaign	(30,000)	(43,050)
Loss on unamortized loan fees	3,092	-
Loss on disposition of assets	-	2,403
(Increase) decrease in operating assets:		
Contributions receivable:		
United Way of Greater St. Louis	9,426	2
Pledges receivable	15,000	(15,000)
Accounts receivable	(1,510)	(8,790)
Prepaid expenses	(2,867)	(2,649)
Deposits	-	8,795
Accrued interest	(74)	107
Increase (decrease) in operating liabilities:		
Accounts payable	42,338	(3,607)
Accrued expenses	13,209	9,724
Deferred revenue	(160)	4,635
Net Cash Provided by Operating Activities	44,160	151,920
Cash Flows from Investing Activities		
Purchase of property and equipment	(121,851)	(45,631)
Purchase of investments	(260,794)	(281,446)
Proceeds from sale of investments	165,146	277,884
Net Cash Used by Investing Activities	(217,499)	(49,193)
Cash Flows from Financing Activities		
Cash received from capital campaign contributions	586,180	356,679
Principal payments on long-term debt	(448,492)	(1,508)
Principal payments on line of credit	-	(747,568)
Loan fees from issuance of long-term debt	-	(3,118)
Net proceeds from long-term debt	-	450,000
Net Cash Provided by Financing Activities	137,688	54,485
Net Increase (Decrease) in Cash and Cash Equivalents	(35,650)	157,212
Cash and cash equivalents, beginning of year	651,386	494,174
Cash and Cash Equivalents, End of Year	\$ 615,736	\$ 651,386

Supplemental Disclosure

Cash paid for interest	\$ 8,037	\$ 19,129
------------------------	----------	-----------

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description and Principles of Consolidation

Duo Dogs, Inc. (Duo), a not-for-profit corporation, was founded to help people with special needs achieve an improved quality of life through the use of assistance dogs. Through the services of a specially trained dog, coupled with a comprehensive educational program in the use of such a dog, the disabled person can achieve a more independent life style and thus develop a better sense of self-worth and competency. **Duo** also provides pet-assisted therapy through the TOUCH Program and educational programs, including the PAWS For Reading Program, to thousands of individuals in the St. Louis Metropolitan area.

Stormy Maze Holdings, LLC (**SMH**) is a wholly-owned subsidiary of **Duo**. **SMH** owns the office and training facility used by **Duo**.

The accompanying financial statements at June 30, 2018 and the summarized comparative information at June 30, 2017 and for the years then ended consolidate the financial positions, activities and cash flows of **Duo** and **SMH** (collectively, the Organization). All intercompany transactions have been eliminated in the consolidations.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

Comparative Consolidated Totals

The consolidated financial statements include certain prior year summarized comparative consolidated information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized consolidated information was derived.

Financial Statement Presentation

The Organization reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

Unrestricted Net Assets

Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose.

Notes to Consolidated Financial Statements (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with a donor's stipulation that limits the use of the donated assets. When a donor's restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets.

Estimates

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

Description of Program Service and Supporting Activities

Program Services

Assistance Dog Program

Duo trains a variety of assistance dogs to meet several segments of the population.

Service Dogs - Dogs trained to complete mobility-related tasks for someone with a physical disability.

Facility Dogs - Dogs trained and placed with an individual who is an employee of a facility that works with "at risk" populations.

Hearing Dogs - Dogs trained and placed with someone who is deaf or hard of hearing.

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program Service and Supporting Activities (Continued)

Program Services (Continued)

Assistance Dog Program (Continued)

Courthouse Facility Dogs - Dogs are placed with individuals who work with children and adults who have been mentally, physically and/or sexually abused. The dogs are used as part of the forensic interview process to help gather information from the victim. If necessary the dog will accompany the victim to court if testimony is needed.

TOUCH Program

Duo provides certification to volunteers and their own dogs to visit facilities in which the patients or residents can benefit from a visit with a well-trained canine.

PAWS for Reading Program

Duo places dogs in a classroom or library setting in the St. Louis Metropolitan area. The dogs act as an incentive for the children to read more and to read better.

Outreach Program

Part of the mission of **Duo** is to educate the community about assistance dogs and the programs offered.

Supporting Activities

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy and manage the financial and budgetary responsibilities of the Organization.

Fundraising Activities

Provide the structure necessary to encourage and secure private financial support from corporations, foundations and individuals in the form of gifts as well as support of fundraising events and capital campaigns.

Risks and Uncertainties

Financial instruments that potentially subject the Organization to credit and market risk consist principally of cash, receivables and investments.

The Organization places all cash and cash equivalents and investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. **Duo's** cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions.

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Risks and Uncertainties (Continued)***

Duo also has a significant amount of investments in marketable securities that are therefore subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables.

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give (contributions receivable) in future periods are recognized as support in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost. Contributed property and equipment are recorded at fair value at the date of donation. Major renewals and betterments are capitalized to the property accounts while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the remaining terms of the leases.

Valuation of Investments and Income Recognition

Duo's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. **Duo** presents, in the statement of activities, net investment income, which consists of the dividend and interest income (net of investment fees), realized gains (losses) and unrealized appreciation (depreciation) on those investments.

Deferred Revenue

Deferred revenue represents registration fees received for a fundraising event to be held in the subsequent year and obedience class fees received for classes to be held in the subsequent year. The revenue will be recognized as the fundraising event takes place, and the classes are held.

Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Donated Consumables and Services***

Contributed services and materials are recorded at the estimated fair value if they enhance the Organization's non-financial assets or are specialized skills that the Organization would normally purchase if not provided by donation. During the years ended June 30, 2018 and 2017, volunteers donated approximately 509,175 and 811,623 hours, respectively to the Organization's program services and its fundraising which did not meet the accounting standards to record as contributions and thus are not reflected in the accompanying financial statements. The Organization considers the Volunteer Puppy Raisers to donate every hour of every day for the entire year caring for our assistance dogs in training, alleviating the Organization from finding alternative cost options for the puppies.

Functional Expenses

The costs of DUO's programs and supporting services have been reported on a functional basis. Expenses that can be identified with a specific program and supporting services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by management.

Advertising Costs

DUO uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred.

Income Tax Status

Duo Dogs, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization's Returns of Organization Exempt from Income Tax (Form 990s) are subject to examination by the IRS for the statutory period. Stormy Maze Holdings, LLC is a disregarded entity for tax purposes and therefore, assumes the tax status of Duo.

Subsequent Events

The Organization has evaluated subsequent events through October 15, 2018, the date which the financial statements were available to be issued, for possible recognition or disclosure.

2. CONCENTRATIONS OF CASH AND CREDIT RISK

The Organization places all of its temporary cash investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 under the FDIC's general deposit insurance rules. At June 30, 2018 and 2017, cash balances exceeded the FDIC limits by \$358,038 and \$163,091, respectively.

DUO DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

3. CONTRIBUTIONS RECEIVABLE

At June 30, 2018, contributions receivable are expected to be collected in the following periods:

Years Ending June 30,	
2019	\$ 70,086
2020	200,000
	270,086
Less discounts to net present value	(9,637)
Contributions Receivable, Net of Discounts	\$ 260,449

A discount rate of 2.5% was used to record contributions receivable at the present value of the future cash flows at June 30, 2018.

4. PROPERTY AND EQUIPMENT

	June 30,	
	2018	2017
Land	\$ 699,369	\$ 699,369
Building	3,672,207	3,698,835
Building improvements	114,908	26,226
Training equipment	14,099	17,137
Office furniture and fixtures	115,311	86,528
Property and equipment at cost	4,615,894	4,528,095
Less accumulated depreciation	(283,455)	(183,432)
Property and Equipment, Net	\$ 4,332,439	\$ 4,344,663

Depreciation expense was \$107,445 and \$117,096 for the years ended June 30, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements (Continued)

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the standards are described as follows:

Level 1

Valuations based on unadjusted quoted prices available for identical assets in active markets that the Organization has the ability to access.

Level 2

Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are significant, unobservable inputs.

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 as of June 30, 2018 and 2017.

Mutual funds - Valued at the net asset value of shares held by the Organization at year end.

Corporate bonds – Valued at quoted prices in active markets in which the individual security is traded. When quoted prices are not available fair value is determined using a valuation model.

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

DUO DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
June 30, 2018				
Mutual funds	\$ 443,357	\$ 443,357	-	-
Corporate bonds	219,045	219,045	-	-
Total	\$ 662,402	\$ 662,402	-	-
June 30, 2017				
Mutual funds	\$ 293,972	\$ 293,972	-	-
Corporate bonds	151,104	151,104	-	-
Total	\$ 445,076	\$ 445,076	-	-

6. LONG-TERM DEBT

In April, 2017, **SMH** refinanced a construction line of credit to a note payable with a bank. The interest rate on the loan was 4.1%. Monthly payments on this loan were \$2,738 based on a six year amortization with a balloon payment of \$371,299 due April 1, 2022. The loan was secured by real estate. On January 26, 2018, **Duo** repaid the entirety of the outstanding debt.

Total interest expense on the long-term debt was \$8,037 and \$19,130 for the years ended June 30, 2018 and 2017, respectively.

DUO DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

7. TEMPORARILY RESTRICTED NET ASSETS

The following temporarily restricted contributions were received during the years ended:

	June 30,	
	2018	2017
Time restrictions	\$ 140,173	\$ 159,028
Purpose restrictions	143,434	121,724
Total	\$ 283,607	\$ 280,752

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows during the years ended:

	June 30,	
	2018	2017
Time restrictions met	\$ 149,599	\$ 159,029
Purpose restrictions met	676,601	1,931,802
Total	\$ 826,200	\$ 2,090,831

Temporarily restricted net assets were available for the following purposes:

	June 30,	
	2018	2017
Time restrictions	\$ 70,086	\$ 79,512
Purpose restrictions	214,365	747,532
Total	\$ 284,451	\$ 827,044

8. DISCLOSURES OF ENDOWMENT FUND

In 2013, Duo received a \$150,000 restricted endowment established to provide funding for TOUCH therapy dog teams. Endowment net asset composition is as follows:

Year ended	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018	-	-	\$ 150,000	\$150,000

There were no changes in endowment net assets for the year ended June 30, 2018.

Notes to Consolidated Financial Statements (Continued)

8. DISCLOSURES OF ENDOWMENT FUND (CONTINUED)**Interpretation of Relevant Law**

The Board of Directors of **Duo** has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, **Duo** classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, **Duo** considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that reflects a combination of return-seeking assets and risk-mitigating assets to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of distributing gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new contributions and investment return.

Notes to Consolidated Financial Statements (Continued)

9. CONTRIBUTED SERVICES, MATERIALS, AND EQUIPMENT

Significant qualifying services, materials and equipment are contributed to the Organization annually and are recorded at fair value upon receipt. For the years ended June 30, 2018 and 2017, the Organization recognized in-kind support as follows:

	Years Ended June 30,	
	2018	2017
Supplies and merchandise	\$ 8,798	\$ 4,509
Equipment	1,781	6,339
Animal acquisition	10,800	-
Fundraising events	32,755	-
Other professional services	-	238
Total	\$ 54,134	\$ 11,086

For the years ended June 30, 2018 and 2017, the Organization received donations of stock valued at \$112,695 and \$68,810, respectively.

SUPPLEMENTARY INFORMATION



Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road
Suite 201
St. Louis, MO
63141

314.812-1100
f.314.812-1199

kiefersonfanti.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Duo Dogs, Inc. and Subsidiary
St. Louis, Missouri

We have audited the financial statements of **Duo Dogs, Inc. and Subsidiary** as of and for the year ended June 30, 2018, and have issued our report thereon dated October 15, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 15, 2018

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

Assets

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 615,736	-	-	\$ 615,736
Contributions receivable:				
United Way of Greater St. Louis	70,086	-	-	70,086
Other receivables:				
Accounts receivable	10,300	-	-	10,300
Due from Stormy Maze Holdings, LLC	4,425,029	-	(4,425,029)	-
Prepaid expenses	20,546	-	-	20,546
Accrued interest	497	-	-	497
Total Current Assets	5,142,194	-	(4,425,029)	717,165
Contributions Receivable - Long-Term,				
Net of Discounts	190,363	-	-	190,363
Property and Equipment, Net	196,262	4,136,177	-	4,332,439
Investments	662,402	-	-	662,402
Total Assets	\$ 6,191,221	4,136,177	(4,425,029)	\$ 5,902,369

Liabilities and Net Assets

Current Liabilities				
Accounts payable	\$ 57,494	-	-	\$ 57,494
Accrued expenses	42,398	-	-	42,398
Deferred revenue	7,650	-	-	7,650
Due to Support Dogs, Inc.	-	4,425,029	(4,425,029)	-
Total Current Liabilities	107,542	4,425,029	(4,425,029)	107,542
Net Assets				
Unrestricted				
Undesignated	5,419,228	(288,852)	-	5,130,376
Board designated - operating reserve	230,000	-	-	230,000
Temporarily restricted	284,451	-	-	284,451
Permanently restricted	150,000	-	-	150,000
Total Net Assets	6,083,679	(288,852)	-	5,794,827
Total Liabilities and Net Assets	\$ 6,191,221	4,136,177	(4,425,029)	\$ 5,902,369

DUO DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Totals
Support, Revenue and Gains			
Contributions:			
General, grants, and government contracts	\$ 611,787	-	\$ 611,787
Capital campaign	378	-	378
United Way of Greater St. Louis	140,173	-	140,173
Program service fees	29,080	-	29,080
Obedience revenues	54,135	-	54,135
Special events, net of direct expenses of \$101,612	387,668	-	387,668
In-kind contributions	166,829	-	166,829
Realized gain	2,384	-	2,384
Unrealized gain	21,528	-	21,528
Other revenue	5,991	-	5,991
Interest and dividends	19,158	-	19,158
Total Support, Revenue and Gains	1,439,111	-	1,439,111
Expenses			
Program Services			
Assistance dog program	772,599	-	772,599
TOUCH program	94,542	-	94,542
PAWS for Reading program	50,601	-	50,601
Outreach program	126,545	-	126,545
Total Program Services	1,044,287	-	1,044,287
Supporting Services			
General and administrative	191,939	107,854	299,793
Obedience expenses	51,483	-	51,483
Fundraising	18,680	-	18,680
Total Supporting Services	262,102	107,854	369,956
Total Expenses	1,306,389	107,854	1,414,243
Change in Net Assets	132,722	(107,854)	24,868
Net Assets, Beginning of Year	5,950,957	(180,998)	5,769,959
Net Assets, End of Year	\$ 6,083,679	(288,852)	\$ 5,794,827