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**DUO DOGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

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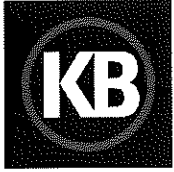
**DUO DOGS, INC. AND SUBSIDIARY**

**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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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, 2019, and the related consolidated statements of activities, functional expenses 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.



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**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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**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, 2019, 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, 2018, and our report dated October 15, 2018, 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, 2018, 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 24, 2019

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2018)**

Assets	June 30,	
	2019	2018
<b>Current Assets</b>		
Cash and cash equivalents	\$ 419,048	\$ 615,736
Contributions receivable:		
Pledges receivable	204,663	-
United Way of Greater St. Louis	68,611	70,086
Accounts receivable	3,625	10,300
Prepaid expenses	18,126	20,546
Accrued interest	278	497
<b>Total Current Assets</b>	<b>714,351</b>	<b>717,165</b>
<b>Contributions Receivable - Long-Term, Net of Discounts</b>	-	190,363
<b>Property and Equipment, Net</b>	4,309,154	4,332,439
<b>Investments</b>	933,098	662,402
<b>Total Assets</b>	<b>\$ 5,956,603</b>	<b>\$ 5,902,369</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,471	\$ 57,494
Accrued expenses	56,157	42,398
Deferred revenue	8,570	7,650
<b>Total Current Liabilities</b>	<b>67,198</b>	<b>107,542</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Undesignated	5,226,409	5,130,376
Board designated - operating reserve	230,000	230,000
<b>Net Assets Without Donor Restrictions</b>	<b>5,456,409</b>	<b>5,360,376</b>
<b>With Donor Restrictions</b>	432,996	434,451
<b>Total Net Assets</b>	<b>5,889,405</b>	<b>5,794,827</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,956,603</b>	<b>\$ 5,902,369</b>

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	Totals	2018
<b>Support, Revenue and Gains</b>				
Contributions:				
General, grants, and government contracts	\$ 453,718	131,526	\$ 585,244	\$ 607,287
United Way of Greater St. Louis	1,978	136,649	138,627	140,173
Capital campaign	-	-	-	378
Special events	486,077	-	486,077	489,280
In-kind contributions	136,742	-	136,742	166,829
Program service fees	64,597	-	64,597	29,080
Obedience revenues	61,323	-	61,323	54,135
Other revenue	47,660	-	47,660	10,491
Interest and dividends	32,356	-	32,356	19,158
Unrealized gains	28,496	-	28,496	21,528
Realized gains (losses)	(6,585)	-	(6,585)	2,384
<b>Support and Revenue Available</b>	<b>1,306,362</b>	<b>268,175</b>	<b>1,574,537</b>	<b>1,540,723</b>
Net assets released from restrictions	269,630	(269,630)	-	-
<b>Total Support, Revenue and Gains</b>	<b>1,575,992</b>	<b>(1,455)</b>	<b>1,574,537</b>	<b>1,540,723</b>
<b>Expenses</b>				
<b>Program Services</b>				
Assistance dog program	886,401	-	886,401	772,599
TOUCH program	98,096	-	98,096	94,542
PAWS for Reading program	38,006	-	38,006	50,601
Outreach program	131,716	-	131,716	126,545
<b>Total Program Services</b>	<b>1,154,219</b>	<b>-</b>	<b>1,154,219</b>	<b>1,044,287</b>
<b>Supporting Services</b>				
General and administrative	128,666	-	128,666	299,793
Obedience expenses	66,406	-	66,406	51,483
Fundraising	130,668	-	130,668	120,292
<b>Total Supporting Services</b>	<b>325,740</b>	<b>-</b>	<b>325,740</b>	<b>471,568</b>
<b>Total Expenses</b>	<b>1,479,959</b>	<b>-</b>	<b>1,479,959</b>	<b>1,515,855</b>
<b>Change in Net Assets</b>	<b>96,033</b>	<b>(1,455)</b>	<b>94,578</b>	<b>24,868</b>
<b>Net Assets, Beginning of Year</b>	<b>5,360,376</b>	<b>434,451</b>	<b>5,794,827</b>	<b>5,769,959</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,456,409</b>	<b>432,996</b>	<b>\$ 5,889,405</b>	<b>\$ 5,794,827</b>

See independent auditors' report and accompanying notes to the financial statements.

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2018)**

	Program Services				Supporting Services			Total	2018		
	Assistance Dog	TOUCH Program	PAWS for		Mgmt. and General	Fundraising				Supporting Services	
			Reading Program	Outreach Services		Total Program Services	Obedience Classes				Other
Salaries and wages	\$ 356,058	56,720	12,726	89,861	515,365	96,093	44,244	6,089	146,426	\$ 661,791	\$ 640,872
Payroll taxes	28,083	4,474	1,004	7,088	40,649	7,579	3,490	480	11,549	52,198	47,880
Other employee benefits	34,586	5,510	1,236	8,729	50,061	9,334	4,298	591	14,223	64,284	63,009
Total salaries and related expenses	418,727	66,704	14,966	105,678	606,075	113,006	52,032	7,160	172,198	778,273	751,761
Depreciation and amortization	88,984	5,741	5,741	5,741	106,207	2,870	2,870	2,870	8,610	114,817	107,445
Special events	-	-	-	-	-	-	-	-	112,218	112,218	101,612
Occupancy	79,540	5,132	5,132	5,132	94,936	2,566	2,566	2,566	7,698	102,634	76,200
Professional fees	78,994	5,096	5,096	5,096	94,282	2,548	2,548	2,548	7,644	101,926	183,723
Other	67,006	3,341	2,274	2,274	74,895	1,137	1,137	1,137	3,411	78,306	96,594
Veterinary fees	39,884	-	-	-	39,884	-	-	-	-	39,884	25,386
Program supplies	21,683	5,477	-	-	27,160	-	1,600	-	1,600	28,760	36,129
Bank and credit card charges, and investment fees	11,823	1,883	423	2,984	17,113	3,191	1,469	202	4,862	21,975	18,873
Insurance	12,848	829	829	829	15,335	414	414	414	1,242	16,577	18,813
Office supplies	10,095	651	651	651	12,048	326	326	326	978	13,026	11,161
Information technology	9,659	623	623	623	11,528	312	312	312	936	12,464	17,296
Travel and mileage reimbursement	11,982	147	48	48	12,225	96	-	-	96	12,321	13,933
Meetings and in-house events	7,980	515	515	515	9,525	257	257	257	771	10,296	3,565
Staff development	6,493	419	419	419	7,750	209	209	209	627	8,377	10,020
Volunteer appreciation	5,812	387	387	387	6,973	775	-	-	775	7,748	9,696
Telephone	4,177	269	269	269	4,984	135	135	135	405	5,389	5,068
Printing and copying	3,826	247	247	247	4,567	123	123	123	369	4,936	6,719
Dues and subscriptions	3,036	196	196	196	3,624	98	98	98	294	3,918	3,385
Payroll processing fees	2,016	321	72	509	2,918	544	251	34	829	3,747	3,445
Postage	1,836	118	118	118	2,190	59	59	59	177	2,367	3,902
Interest expense	-	-	-	-	-	-	-	-	-	-	8,037
Loss on unamortized loan fees	-	-	-	-	-	-	-	-	-	-	3,092
<b>Total</b>	<b>\$ 886,401</b>	<b>98,096</b>	<b>38,006</b>	<b>131,716</b>	<b>1,154,219</b>	<b>128,666</b>	<b>66,406</b>	<b>130,668</b>	<b>325,740</b>	<b>\$ 1,479,959</b>	<b>\$ 1,515,855</b>
	<b>59.9%</b>	<b>6.6%</b>	<b>2.6%</b>	<b>8.9%</b>	<b>78.0%</b>	<b>8.7%</b>	<b>4.5%</b>	<b>8.8%</b>	<b>22.0%</b>	<b>100.0%</b>	

See independent auditors' report and accompanying notes to the financial statements.

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2018)**

	June 30,	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 94,578	\$ 24,868
Adjustments:		
Donated stock	(114,023)	(112,695)
Depreciation and amortization	114,817	107,445
Realized and unrealized gains on investments	(21,911)	(23,912)
Contributions restricted for capital campaign	-	(30,000)
Loss on unamortized loan fees	-	3,092
(Increase) decrease in operating assets:		
Contributions receivable:		
United Way of Greater St. Louis	1,475	9,426
Pledges receivable	(14,300)	15,000
Accounts receivable	6,675	(1,510)
Prepaid expenses	2,420	(2,867)
Accrued interest	219	(74)
Increase (decrease) in operating liabilities:		
Accounts payable	(55,023)	42,338
Accrued expenses	13,759	13,209
Deferred revenue	920	(160)
<b>Net Cash Provided by Operating Activities</b>	<b>29,606</b>	<b>44,160</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(91,532)	(121,851)
Purchase of investments	(324,958)	(260,794)
Proceeds from sale of investments	190,196	165,147
<b>Net Cash Used by Investing Activities</b>	<b>(226,294)</b>	<b>(217,498)</b>
<b>Cash Flows from Financing Activities</b>		
Cash received from capital campaign contributions	-	586,180
Principal payments on long-term debt	-	(448,492)
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>137,688</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(196,688)</b>	<b>(35,650)</b>
Cash and cash equivalents, beginning of year	615,736	651,386
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 419,048</b>	<b>\$ 615,736</b>

**Supplemental Disclosure**

Cash paid for interest	\$ -	\$ 8,037
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# DUO DOGS, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

### 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, 2019 and the summarized comparative information at June 30, 2018 and for the years then ended consolidate the financial positions, activities, functional expenses 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, 2018, from which the summarized consolidated information was derived.

#### ***Financial Statement Presentation***

The Organization reports its information regarding financial position and activities according to the following net asset classifications:

#### ***Net assets without donor restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

# DUO DOGS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements (Continued)

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

#### *Financial Statement Presentation (Continued)*

##### ***Net assets with donor restrictions***

Net assets subject to stipulation imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As described in Note 10, the Organization received a permanently restricted endowment to provide funding for the Organization's TOUCH therapy dog teams.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

##### ***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.

*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.

# DUO DOGS, INC. AND SUBSIDIARY

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## Notes to Consolidated Financial Statements (Continued)

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

#### *Description of Program Service and Supporting Activities (Continued)*

##### *Program Services (Continued)*

###### ***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.

**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.

# DUO DOGS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements (Continued)

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

#### ***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 6 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.

# DUO DOGS, INC. AND SUBSIDIARY

## 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, 2019 and 2018, volunteers donated approximately 560,098 and 509,175 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.

The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Salaries and wages	Direct costs, time and effort
Payroll taxes	Direct costs, time and effort
Other employee benefits	Direct costs, time and effort
Depreciation and amortization	Time and effort
Special events	Direct costs
Occupancy	Time and effort
Professional fees	Time and effort
Other	Direct costs, time and effort
Veterinary fees	Direct costs
Program supplies	Direct costs
Bank and credit card charges, and investment fees	Direct costs, time and effort
Insurance	Time and effort
Office supplies	Time and effort
Information technology	Time and effort
Travel and mileage reimbursement	Direct costs, time and effort
Meetings and in-house events	Time and effort
Staff development	Time and effort
Volunteer appreciation	Time and effort
Telephone	Time and effort
Printing and copying	Time and effort
Dues and subscriptions	Time and effort
Payroll processing fees	Direct costs, time and effort
Postage	Time and effort
Interest expense	Direct costs, time and effort
Loss on unamortized loan fees	Direct costs, time and effort

# DUO DOGS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements (Continued)

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

#### ***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. Stormy Maze Holdings, LLC is a disregarded entity for tax purposes and therefore, assumes the tax status of Duo. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements. The Organization has evaluated its tax positions, expiring tax statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions. The Organization's Returns of Organization Exempt from Income Tax (Form 990s) are subject to examination, generally for three years after they are filed. As of October 24, 2019, no informational returns have been selected for examination.

#### ***Subsequent Events***

The Organization has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued, for possible recognition or disclosure.

#### ***Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentations.

#### ***New Accounting Pronouncement***

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment returns. The pronouncement was effective for years beginning after December 15, 2017. The Organization has adjusted the presentation for these statements accordingly.

## DUO DOGS, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 2. AVAILABILITY AND LIQUIDITY

The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	June 30,	
	2019	2018
<b>Financial assets at year end:</b>		
Cash and cash equivalents	\$ 419,048	\$ 615,736
Contributions receivable	273,274	260,449
Accounts receivable	3,625	10,300
Investments	933,098	662,402
<b>Total Financial Assets</b>	<b>1,629,045</b>	<b>1,548,887</b>
<b>Less amounts not available to be used within one year:</b>		
Board designated funds	230,000	230,000
Net assets with donor restrictions	432,996	434,451
Less net assets with time and purpose restrictions to be met in less than one year	(282,996)	(269,630)
<b>Total amounts not available to be used within one year</b>	<b>380,000</b>	<b>394,821</b>
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 1,249,045</b>	<b>\$ 1,154,066</b>

The Organization is substantially supported by grants and contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to the donors. As part of the Organization's liquidity management, the policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests cash more than daily requirements in short-term investments. The Organization's board has designated a portion of its unrestricted resources. All board designated funds can be made available to meet operating needs if necessary. The Organization could also draw upon a \$500,000 available line of credit (as discussed in Note 7).

#### 3. 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 times, balances may exceed coverage limits.

## DUO DOGS, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 4. CONTRIBUTIONS RECEIVABLE

At June 30, 2019, total contributions receivable of \$273,274 are expected to be collected in 2020.

#### 5. PROPERTY AND EQUIPMENT

	June 30,	
	2019	2018
Land	\$ 699,369	\$ 699,369
Building	3,672,207	3,672,207
Building improvements	180,628	114,908
Training equipment	14,099	14,099
Office furniture and fixtures	141,123	115,311
Property and equipment at cost	4,707,426	4,615,894
Less accumulated depreciation	(398,272)	(283,455)
<b>Property and Equipment, Net</b>	<b>\$ 4,309,154</b>	<b>\$ 4,332,439</b>

Depreciation expense was \$114,817 and \$107,445 for the years ended June 30, 2019 and 2018, respectively.

#### 6. 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 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.



## DUO DOGS, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

*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 inputs or methodologies used for valuing investments may not be an indication of the risk associated with investing in those securities. Furthermore, management believes its valuation methods are appropriate and consistent. The use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

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

Description	Total	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
<b>June 30, 2019</b>				
Mutual funds	\$ 592,860	592,860	-	-
Corporate bonds	340,238	340,238	-	-
<b>Total</b>	<b>\$ 933,098</b>	<b>933,098</b>	<b>-</b>	<b>-</b>
<b>June 30, 2018</b>				
Mutual funds	\$ 443,357	443,357	-	-
Corporate bonds	219,045	219,045	-	-
<b>Total</b>	<b>\$ 662,402</b>	<b>662,402</b>	<b>-</b>	<b>-</b>

## DUO DOGS, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 7. LINE OF CREDIT

In November 2018, the Organization entered into a line of credit agreement that provides for maximum borrowings of \$500,000. The line of credit matures in November 2021. There were no borrowings under this line of credit at June 30, 2019.

#### 8. LONG-TERM DEBT

On January 26, 2018, Duo repaid its outstanding debt on its real estate.

Total interest expense on the long-term debt was \$8,037 for the year ended June 30, 2018.

#### 9. NET ASSETS WITH DONOR RESTRICTIONS

The following contributions with donor restrictions were received during the years ended:

	June 30,	
	2019	2018
Time restrictions	\$ 136,649	\$ 140,173
Purpose restrictions	131,526	143,434
<b>Total</b>	<b>\$ 268,175</b>	<b>\$ 283,607</b>

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,	
	2019	2018
Time restrictions met	\$ 138,124	\$ 149,599
Purpose restrictions met	131,506	676,601
<b>Total</b>	<b>\$ 269,630</b>	<b>\$ 826,200</b>

Net assets with donor restrictions were available for the following purposes:

	June 30,	
	2019	2018
Time restrictions	\$ 68,611	\$ 70,086
Purpose restrictions	214,385	214,365
Restricted endowment	150,000	150,000
<b>Total</b>	<b>\$ 432,996</b>	<b>\$ 434,451</b>

Notes to Consolidated Financial Statements (Continued)

**10. DISCLOSURES OF ENDOWMENT FUND**

In 2013, Duo received a \$150,000 donor restricted endowment established to provide funding for TOUCH therapy dog teams. The endowment fund is restricted indefinitely. There were no changes in endowment net assets for the year ended June 30, 2019. The donor restricted endowment is included in Net Assets With Donor Restrictions on the Consolidated Statement of Financial Position.

**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 net assets with donor restrictions (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.

## DUO DOGS, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 10. DISCLOSURES OF ENDOWMENT FUND (CONTINUED)

##### 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.

#### 11. 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, 2019 and 2018, the Organization recognized in-kind support as follows:

	Years Ended June 30,	
	2019	2018
Donated stock	\$ 114,023	\$ 112,695
Fundraising events	13,402	32,755
Equipment	6,601	1,781
Supplies and merchandise	2,716	8,798
Animal acquisition	-	10,800
<b>Total</b>	<b>\$ 136,742</b>	<b>\$ 166,829</b>

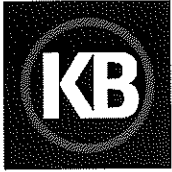
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**SUPPLEMENTARY INFORMATION**

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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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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, 2019, and have issued our report thereon dated October 24, 2019, 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 24, 2019

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**Assets**

	<b>Stormy Maze</b>			
	<b>Duo Dogs, Inc.</b>	<b>Holdings, LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 419,048	-	-	\$ 419,048
Contributions receivable:				
Pledges receivable	204,663	-	-	204,663
United Way of Greater St. Louis	68,611	-	-	68,611
Other receivables:				
Accounts receivable	3,625	-	-	3,625
Due from Stormy Maze Holdings, LLC	4,425,029	-	(4,425,029)	-
Prepaid expenses	18,126	-	-	18,126
Accrued interest	278	-	-	278
<b>Total Current Assets</b>	<b>5,139,380</b>	<b>-</b>	<b>(4,425,029)</b>	<b>714,351</b>
<b>Property and Equipment, Net</b>	<b>267,135</b>	<b>4,042,019</b>	<b>-</b>	<b>4,309,154</b>
<b>Investments</b>	<b>933,098</b>	<b>-</b>	<b>-</b>	<b>933,098</b>
<b>Total Assets</b>	<b>\$ 6,339,613</b>	<b>4,042,019</b>	<b>(4,425,029)</b>	<b>\$ 5,956,603</b>

**Liabilities and Net Assets**

<b>Current Liabilities</b>				
Accounts payable	\$ 2,471	-	-	\$ 2,471
Accrued expenses	56,157	-	-	56,157
Deferred revenue	8,570	-	-	8,570
Due to Support Dogs, Inc.	-	4,425,029	(4,425,029)	-
<b>Total Current Liabilities</b>	<b>67,198</b>	<b>4,425,029</b>	<b>(4,425,029)</b>	<b>67,198</b>
<b>Net Assets</b>				
<b>Without Donor Restrictions:</b>				
Undesignated	5,609,419	(383,010)	-	5,226,409
Board designated - operating reserve	230,000	-	-	230,000
<b>With Donor Restrictions</b>	<b>432,996</b>	<b>-</b>	<b>-</b>	<b>432,996</b>
<b>Total Net Assets</b>	<b>6,272,415</b>	<b>(383,010)</b>	<b>-</b>	<b>5,889,405</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,339,613</b>	<b>4,042,019</b>	<b>(4,425,029)</b>	<b>\$ 5,956,603</b>

**DUO DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	<b>Duo Dogs, Inc.</b>	<b>Stormy Maze Holdings, LLC</b>	<b>Totals</b>
<b>Support, Revenue and Gains</b>			
Contributions:			
General, grants, and government contracts	\$ 585,244	-	\$ 585,244
United Way of Greater St. Louis	138,627	-	138,627
Program service fees	64,597	-	64,597
Obedience revenues	61,323	-	61,323
Special events	486,077	-	486,077
In-kind contributions	136,742	-	136,742
Realized loss	(6,585)	-	(6,585)
Unrealized gain	28,496	-	28,496
Other revenue	47,660	-	47,660
Interest and dividends	32,356	-	32,356
<b>Total Support, Revenue and Gains</b>	<b>1,574,537</b>	<b>-</b>	<b>1,574,537</b>
<b>Expenses</b>			
<b>Program Services</b>			
Assistance dog program	886,401	-	886,401
TOUCH program	98,096	-	98,096
PAWS for Reading program	38,006	-	38,006
Outreach program	131,716	-	131,716
<b>Total Program Services</b>	<b>1,154,219</b>	<b>-</b>	<b>1,154,219</b>
<b>Supporting Services</b>			
General and administrative	34,508	94,158	128,666
Obedience expenses	66,406	-	66,406
Fundraising	130,668	-	130,668
<b>Total Supporting Services</b>	<b>231,582</b>	<b>94,158</b>	<b>325,741</b>
<b>Total Expenses</b>	<b>1,385,801</b>	<b>94,158</b>	<b>1,479,959</b>
<b>Change in Net Assets</b>	<b>188,736</b>	<b>(94,158)</b>	<b>94,578</b>
<b>Net Assets, Beginning of Year</b>	<b>6,083,679</b>	<b>(288,852)</b>	<b>5,794,827</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,272,415</b>	<b>(383,010)</b>	<b>\$ 5,889,405</b>