DUO DOGS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

DUO DOGS, INC. AND SUBSIDIARY

JUNE 30, 2021

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

701 Emerson Road, Suite 201
St. Louis, MO 63141
314.812.1100
kieferbonfanti.com

EIDE BAILLY ALLIANCE MEMBER FIRM

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 statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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.

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, 2021, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2020, and our report dated December 15, 2020, 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, 2020 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
November 1, 2021

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2020)

Assets

	June 30, 2021	June 30, 2020
Current Assets		
Cash and cash equivalents	**$ 868,223**	$ 720,202
Contributions receivable:		
Pledges receivable	**35,000**	20,000
United Way of Greater St. Louis	**66,252**	66,252
Accounts receivable	**1,807**	7,390
Prepaid expenses and accrued interest	**54,503**	16,145
Total Current Assets	**1,025,785**	829,989
Contributions Receivable - Long-Term, Net of Discounts	**19,060**	18,974
Property and Equipment, Net	**4,071,123**	4,189,908
Investments	**1,223,948**	1,019,416
Total Assets	**$ 6,339,916**	$ 6,058,287

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Accounts payable	**$ 9,201**	$ 12,984
Accrued expenses	**22,412**	36,351
Paycheck protection program loan	**165,422**	163,342
Total Current Liabilities	**197,035**	212,677
Net Assets		
Without Donor Restrictions		
Undesignated	**5,629,911**	5,335,436
Board designated - operating reserve	**230,000**	230,000
Net Assets Without Donor Restrictions	**5,859,911**	5,565,436
With Donor Restrictions	**282,970**	280,174
Total Net Assets	**6,142,881**	5,845,610
Total Liabilities and Net Assets	**$ 6,339,916**	$ 6,058,287

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	2020
Support, Revenue and Gains (Losses)				
Contributions:				
General, grants, and government contracts	$ 817,859	108,577	**$ 926,436**	$ 650,041
United Way of Greater St. Louis	2,970	132,507	**135,477**	135,243
Unrealized gains (losses)	235,317	-	**235,317**	(241)
Paycheck protection program loan forgiven	163,342	-	**163,342**	-
Other revenue	33,920	-	**33,920**	20,220
Interest and dividends	25,984	-	**25,984**	32,598
In-kind contributions	7,553	-	**7,553**	30,978
Special events	7,471	-	**7,471**	494,288
Program service fees	6,801	-	**6,801**	50,716
Realized losses	-		**-**	(1,127)
Obedience revenues (refunds)	(5,038)	-	**(5,038)**	39,168
Support and Revenue Available	**1,296,179**	**241,084**	**1,537,263**	1,451,884
Net assets released from restrictions	238,288	(238,288)	**-**	-
Total Support, Revenue and Gains	**1,534,467**	**2,796**	**1,537,263**	1,451,884
Expenses				
Program Services				
Assistance dog program	862,402	-	**862,402**	842,461
Outreach program	115,085	-	**115,085**	89,452
TOUCH program	78,103	-	**78,103**	131,607
PAWS for Reading program	34,086	-	**34,086**	39,984
Total Program Services	**1,089,676**	**-**	**1,089,676**	1,103,504
Supporting Services				
General and administrative	109,982	-	**109,982**	135,915
Fundraising	21,389	-	**21,389**	166,964
Obedience expenses	18,945	-	**18,945**	89,296
Total Supporting Services	**150,316**	**-**	**150,316**	392,175
Total Expenses	**1,239,992**	**-**	**1,239,992**	1,495,679
Change in Net Assets	**294,475**	**2,796**	**297,271**	(43,795)
Net Assets, Beginning of Year	**5,565,436**	**280,174**	**5,845,610**	5,889,405
Net Assets, End of Year	**$ 5,859,911**	**282,970**	**$ 6,142,881**	$ 5,845,610

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2020)

	Program Services					Supporting Services					
							Fundraising				
	Assistance Dog	Outreach	TOUCH Program	PAWS for Reading Program	Total Program Services	Mgmt. and General	Other	Obedience Classes	Total Supporting Services	Total	2020
Salaries and wages	$ 388,048	77,917	45,025	10,396	521,386	81,668	3,167	7,296	92,131	**$ 613,517**	$ 653,053
Other employee benefits	42,620	8,558	4,945	1,142	57,265	8,970	348	801	10,119	**67,384**	98,528
Payroll taxes	28,802	5,783	3,342	772	38,699	6,062	235	542	6,839	**45,538**	48,070
Total salaries and related expenses	459,470	92,258	53,312	12,310	617,350	96,700	3,750	8,639	109,089	**726,439**	799,651
Depreciation	92,058	5,939	5,939	5,939	109,875	2,970	2,970	2,970	8,910	**118,785**	119,246
Professional fees	83,256	5,371	5,371	5,371	99,369	2,686	2,686	2,686	8,058	**107,427**	145,007
Occupancy	52,299	3,374	3,374	3,374	62,421	1,687	1,687	1,687	5,061	**67,482**	64,104
Other	48,957	1,221	3,329	2,063	55,570	611	611	611	1,833	**57,403**	65,652
Veterinary fees	25,651	-	-	-	25,651	-	-	-	-	**25,651**	34,965
Information technology	13,414	866	866	866	16,012	433	433	433	1,299	**17,311**	16,478
Bank and investment fees	9,295	1,867	1,079	249	12,490	1,957	76	175	2,208	**14,698**	16,931
Insurance	11,120	717	717	717	13,271	359	359	359	1,077	**14,348**	15,318
Printing and copying	9,519	614	614	614	11,361	307	307	307	921	**12,282**	10,961
Program supplies	11,462	-	778	-	12,240	-	-	-	-	**12,240**	6,103
Office supplies	9,285	599	599	599	11,082	300	300	300	900	**11,982**	7,878
Volunteer appreciation	6,269	418	418	418	7,523	836	-	-	836	**8,359**	8,563
Staff development	6,094	393	393	393	7,273	197	197	197	591	**7,864**	9,982
Telephone	5,816	375	375	375	6,941	188	188	188	564	**7,505**	7,482
Special events	-	-	-	-	-	-	7,449	-	7,449	**7,449**	146,043
Travel and mileage reimbursement	5,597	28	28	28	5,681	56	-	-	56	**5,737**	8,930
Meetings and in-house events	4,442	287	287	287	5,303	143	143	143	429	**5,732**	6,444
Dues and subscriptions	4,348	281	281	281	5,191	140	140	140	420	**5,611**	1,251
Postage	2,470	160	160	160	2,950	80	80	80	240	**3,190**	1,921
Payroll processing fees	1,580	317	183	42	2,122	332	13	30	375	**2,497**	2,769
Total	**$ 862,402**	**115,085**	**78,103**	**34,086**	**1,089,676**	**109,982**	**21,389**	**18,945**	**150,316**	**$ 1,239,992**	$ 1,495,679
% of Total Expense	**69.6%**	**9.3%**	**6.3%**	**2.8%**	**88.0%**	**8.9%**	**1.6%**	**1.5%**	**12.0%**	**100.0%**	

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2020)

	June 30, 2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	**$ 297,271**	$ (43,795)
Adjustments:		
Donated stock	**(524)**	(21,443)
Depreciation	**118,785**	119,246
Realized and unrealized (gain) loss on investments	**(235,317)**	1,368
Paycheck protection program loan forgiven	**(163,342)**	-
(Increase) decrease in operating assets:		
Contributions receivable:		
Pledges receivable	**(15,086)**	165,689
United Way of Greater St. Louis	**-**	2,359
Accounts receivable	**5,583**	(3,765)
Prepaid expenses and accrued interest	**(38,358)**	2,259
Increase (decrease) in operating liabilities:		
Accounts payable	**(3,783)**	10,513
Accrued expenses	**(13,939)**	(19,806)
Deferred revenue	**-**	(8,570)
Net Cash Provided (Used) by Operating Activities	**(48,710)**	204,055
Cash Flows from Investing Activities		
Purchase of investments	**(19,215)**	(230,828)
Proceeds from sale of investments	**50,524**	164,585
Net Cash Provided (Used) by Investing Activities	**31,309**	(66,243)
Cash Flows from Financing Activities		
Proceeds from paycheck protection program loan	**165,422**	163,342
Net Cash Provided by Financing Activities	**165,422**	163,342
Net Increase in Cash and Cash Equivalents	**148,021**	301,154
Cash and cash equivalents, beginning of year	**720,202**	419,048
Cash and Cash Equivalents, End of Year	**$ 868,223**	$ 720,202

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 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 lifestyle 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**. On June 30, 2021, SMH deeded the office and training facility to Duo.

The accompanying financial statements at June 30, 2021 and the summarized comparative information at June 30, 2020 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, 2020, 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.
>
> ***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, whereby 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 Consolidated Statement of Activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Services 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.

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 improve their reading skills.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Contributions Receivable

The Organization reports accounts receivable for services provided at net receivable amounts. The Organization recognizes the full amount of the pledges received in the period that they were made as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

The Organization actively pursues past due accounts and provides an allowance for doubtful accounts based on historical experience and management's analysis of the current status of existing receivables. The Organization considers any receivables older than 30 days to be past due. At June 30, 2021 and 2020, the Organization considered all accounts and contributions receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectable, they will be charged to operations when that determination is made.

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.

Contributions

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 restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is satisfied, restricted net assets are released and reported as an increase in net assets without donor restrictions. However, if the restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Revenue and Revenue Recognition

The Organization receives revenue from program service fees, obedience classes, grants, contributions, and ticket sales from special events. The Organization recognizes revenue from program service fees and obedience classes during the period in which the related services are provided. Payments received in advance of the period in which services are provided, including deposits, are deferred to the applicable period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The Organization recognizes contributions and grants when cash, securities or other assets, unconditional promises to give or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended June 30, 2021 and 2020.

The Organization recognizes revenue from ticket sales during the period in which the special event takes place.

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, 2021 and 2020, volunteers donated approximately 213,688 and 466,864 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 consolidated financial statements. The Organization considers the Volunteer Puppy Raisers to donate 16 hours 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:

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

NOTE 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 November 1, 2021, no informational returns have been selected for examination.

Subsequent Events

The Organization has evaluated subsequent events through November 1, 2021, the date which the financial statements were available to be issued, for possible recognition or disclosure.

NOTE 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, **2021**	June 30, 2020
Financial assets at year end:		
Cash and cash equivalents	**$ 868,223**	$ 720,202
Contributions receivable	**120,312**	105,226
Accounts receivable	**1,807**	7,390
Investments	**1,223,948**	1,019,416
Total Financial Assets	**2,214,290**	1,852,234
Less amounts not available to be used within one year:		
Board designated funds	**230,000**	230,000
Net assets with donor restrictions	**282,970**	280,174
Less net assets with time and purpose restrictions to be met in less than one year	**(132,970)**	(130,174)
Total amounts not available to be used within one year	**380,000**	380,000
Financial assets available to meet general expenditures over the next twelve months	**$ 1,834,290**	$ 1,472,234

NOTE 2 AVAILABILITY AND LIQUIDITY (CONTINUED)

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).

NOTE 3 CONCENTRATIONS OF CASH AND CREDIT RISK

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

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. At June 30, 2021 and 2020, cash balances exceeded FDIC limits by $350,636 and $14,897, respectively.

Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables.

Duo also has a significant number 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. Investments are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000. At June 30, 2021 and 2020, investment balances exceeded SIPC limits by approximately $724,000 and $519,000, respectively.

NOTE 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2021, contributions receivable are expected to be collected in the following periods:

Years Ending June 30,	
2022	**$ 101,252**
2023	**20,000**
	121,252
Less discounts to net present value	**(940)**
Contributions Receivable, Net of Discounts	**$ 120,312**

NOTE 5 PROPERTY AND EQUIPMENT

	June 30, 2021	2020
Land	**$ 699,369**	$ 699,369
Building	**3,672,207**	3,672,207
Building improvements	**180,628**	180,628
Training equipment	**14,099**	14,099
Office furniture and fixtures	**141,123**	141,123
Property and equipment at cost	**4,707,426**	4,707,426
Less accumulated depreciation	**(636,303)**	(517,518)
Property and Equipment, Net	**$ 4,071,123**	$ 4,189,908

Depreciation expense was $118,785 and $119,246 for the years ended June 30, 2021 and 2020, respectively.

NOTE 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.

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.

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

> *Certificates of Deposit* - valued at the principal plus accrued interest. The market value of a CD will vary depending on current interest rates, the length of maturity, and other special features of the CD.
>
> *Mutual Funds* – valued at daily closing price reported on the principal active market on which the mutual fund is traded.
>
> *Exchange Traded Funds* – 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:

		Fair Value Measurements at Reporting Date Using		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
June 30, 2021				
Certificates of deposit	$ 134,093	-	134,093	-
Mutual funds	950,617	950,617	-	-
Exchange traded funds	139,238	139,238	-	-
Total	**$ 1,223,948**	**1,089,855**	**134,093**	**-**
June 30, 2020				
Certificates of deposit	$ 187,790	-	187,790	-
Mutual funds	737,488	737,488	-	-
Exchange traded funds	94,138	94,138	-	-
Total	$ 1,019,416	831,626	187,790	-

NOTE 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, 2021 and 2020.

NOTE 8 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, the Organization applied for and was granted a $163,342 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The loan was uncollateralized and fully guaranteed by the Federal government. The loan accrued interest at 1%, but payments were not required until the final amount of the loan was determined by the SBA. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. In accordance with Accounting Standards Codification (ASC) 470, *Debt*, the Organization had accounted for the PPP loan as a loan and recognized revenue at the time the loan was forgiven. The loan was approved for forgiveness on February 18, 2021. Revenue for the forgiveness of the loan is reported on the Statements of Activities.

In January 2021, the Organization applied for and was granted a second PPP loan in the amount of $165,422. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for ten months after the end of the covered period. The Organization applied for forgiveness after year end and received full forgiveness in August 2021.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2021	2020
Time restrictions	**$ 152,507**	$ 132,507
Purpose restrictions	**88,577**	176,110
Total	**$ 241,084**	$ 308,617

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,	
	2021	2020
Time restrictions met	**$ 132,507**	$ 134,866
Purpose restrictions met	**105,781**	326,573
Total	**$ 238,288**	$ 461,439

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

	June 30,	
	2021	2020
Time restrictions	**$ 86,252**	$ 66,252
Purpose restrictions	**46,718**	63,922
Restricted endowment	**150,000**	150,000
Total	**$ 282,970**	$ 280,174

NOTE 10 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 years ended June 30, 2021 and 2020. The donor restricted endowment is included in net assets with donor restrictions on the 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.

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.

NOTE 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, 2021 and 2020, the Organization recognized in-kind support as follows:

	Years Ended June 30,	
	2021	2020
Supplies and merchandise	**$ 5,687**	$ 1,100
Equipment	**992**	1,372
Donated stock	**524**	21,443
Services	**350**	-
Fundraising events	**-**	7,063
Total	**$ 7,553**	$ 30,978

NOTE 12 COVID-19

On March 11, 2020, the World health organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. It is anticipated that these impacts will continue for some time. The Organization has experienced material impacts to its operations including the cancellation of services. Future potential impacts may include additional cancellations of services and employees' ability to work. The future effects of these pandemic related issues are unknown.

SUPPLEMENTAL SCHEDULE

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

701 Emerson Road, Suite 201
St. Louis, MO 63141
314.812.1100
kieferbonfanti.com

EIDE BAILLY ALLIANCE
MEMBER FIRM

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, 2021, and have issued our report thereon dated November 1, 2021, 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 Activities is 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
November 1, 2021

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Duo Dogs, Inc.	Stormy Maze Holdings, LLC	Totals
Support, Revenue and Gains (Losses)			
Contributions:			
General, grants, and government contracts	$ 926,436	-	**$ 926,436**
United Way of Greater St. Louis	135,477	-	**135,477**
Unrealized gains	235,317	-	**235,317**
Paycheck protection program loan forgiven	163,342	-	**163,342**
Other revenue	33,920	-	**33,920**
Interest and dividends	25,984	-	**25,984**
In-kind contributions	7,553	-	**7,553**
Special events	7,471	-	**7,471**
Program service fees	6,801	-	**6,801**
Obedience refunds	(5,038)	-	**(5,038)**
Total Support, Revenue and Gains	1,537,263	-	**1,537,263**
Expenses			
Program Services			
Assistance dog program	862,402	-	**862,402**
Outreach program	115,085	-	**115,085**
TOUCH program	78,103	-	**78,103**
PAWS for Reading program	34,086	-	**34,086**
Total Program Services	1,089,676	-	**1,089,676**
Supporting Services			
General and administrative	15,823	94,159	**109,982**
Fundraising	21,389	-	**21,389**
Obedience expenses	18,945	-	**18,945**
Total Supporting Services	56,157	94,159	**150,316**
Total Expenses	1,145,833	94,159	**1,239,992**
Change in Net Assets	391,430	(94,159)	**297,271**
Net Assets, Beginning of Year	6,322,779	(477,169)	**5,845,610**
Net Assets, End of Year	**$ 6,714,209**	**(571,328)**	**$ 6,142,881**