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**DUO DOGS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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**DUO DOGS, INC.**

**JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the financial statements of **Duo Dogs, Inc.** (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Duo Dogs, Inc.** as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Duo Dogs, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Duo Dogs, Inc.'s** ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Duo Dogs, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Duo Dogs, Inc.'s** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited Duo Dogs, Inc. and Subsidiary's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 10, 2022

DUO DOGS, INC.

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	<b>Assets</b>	
	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 599,526	\$ 868,223
Contributions receivable:		
Pledges receivable	19,512	35,000
United Way of Greater St. Louis	67,968	66,252
Accounts receivable	35,770	1,807
Prepaid expenses and accrued interest	15,600	54,503
<b>Total Current Assets</b>	<b>738,376</b>	<b>1,025,785</b>
<b>Contributions Receivable - Long-Term, Net of Discounts</b>	<b>-</b>	<b>19,060</b>
<b>Property and Equipment, Net</b>	<b>3,958,015</b>	<b>4,071,123</b>
<b>Investments</b>	<b>1,166,086</b>	<b>1,223,948</b>
<b>Total Assets</b>	<b>\$ 5,862,477</b>	<b>\$ 6,339,916</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 14,590	\$ 9,201
Accrued expenses	35,452	22,412
Paycheck protection program loan	-	165,422
<b>Total Current Liabilities</b>	<b>50,042</b>	<b>197,035</b>
<b>Net Assets</b>		
<b>Without Donor Restrictions</b>		
Undesignated	5,332,792	5,629,911
Board designated - operating reserve	230,000	230,000
<b>Net Assets Without Donor Restrictions</b>	<b>5,562,792</b>	<b>5,859,911</b>
<b>With Donor Restrictions</b>	<b>249,643</b>	<b>282,970</b>
<b>Total Net Assets</b>	<b>5,812,435</b>	<b>6,142,881</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,862,477</b>	<b>\$ 6,339,916</b>

**DUO DOGS, INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2021)**

	Without Donor Restrictions	With Donor Restrictions	Totals	2021
<b>Support, Revenue, and Gains (Losses)</b>				
Contributions:				
General, grants, and government contracts	\$ 572,606	109,228	\$ 681,834	\$ 926,436
United Way of Greater St. Louis	2,325	135,930	138,255	135,477
Special events	357,942	-	357,942	7,471
In-kind contributions	177,815	-	177,815	7,553
Paycheck protection program loan forgiven	165,422	-	165,422	163,342
Program service fees	40,740	-	40,740	6,801
Obedience revenues (refunds)	29,875	-	29,875	(5,038)
Other revenue	24,113	-	24,113	33,920
Net interest and dividends	23,261	-	23,261	15,219
Realized losses	(672)	-	(672)	-
Unrealized gains (losses)	(209,161)	-	(209,161)	235,317
<b>Support and Revenue Available</b>	<b>1,184,266</b>	<b>245,158</b>	<b>1,429,424</b>	<b>1,526,498</b>
Net assets released from restrictions	278,485	(278,485)	-	-
<b>Total Support, Revenue, and Gains (Losses)</b>	<b>1,462,751</b>	<b>(33,327)</b>	<b>1,429,424</b>	<b>1,526,498</b>
<b>Expenses</b>				
<b>Program Services</b>				
Assistance dog program	902,038	-	902,038	855,601
Outreach program	200,307	-	200,307	113,718
TOUCH program	186,404	-	186,404	77,313
PAWS for Reading program	50,908	-	50,908	33,904
<b>Total Program Services</b>	<b>1,339,657</b>	<b>-</b>	<b>1,339,657</b>	<b>1,080,536</b>
<b>Supporting Services</b>				
General and administrative	129,504	-	129,504	108,546
Fundraising	215,827	-	215,827	21,331
Obedience expenses	74,882	-	74,882	18,814
<b>Total Supporting Services</b>	<b>420,213</b>	<b>-</b>	<b>420,213</b>	<b>148,691</b>
<b>Total Expenses</b>	<b>1,759,870</b>	<b>-</b>	<b>1,759,870</b>	<b>1,229,227</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(297,119)</b>	<b>(33,327)</b>	<b>(330,446)</b>	<b>297,271</b>
<b>Net Assets, Beginning of Year</b>	<b>5,859,911</b>	<b>282,970</b>	<b>6,142,881</b>	<b>5,845,610</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,562,792</b>	<b>249,643</b>	<b>\$ 5,812,435</b>	<b>\$ 6,142,881</b>

**DUO DOGS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2021)**

	Program Services					Supporting Services				Total	2021
	Assistance Dog	Outreach	TOUCH Program	PAWS for Reading Program	Total Program Services	Mgmt. and General	Fundraising Other	Obedience Classes	Total Supporting Services		
Salaries and wages	\$ 434,504	152,628	131,053	27,046	745,231	100,471	-	53,613	154,084	\$ 899,315	\$ 613,517
Other employee benefits	45,132	15,854	13,613	2,809	77,408	10,436	-	5,569	16,005	93,413	67,384
Payroll taxes	32,831	11,533	9,902	2,044	56,310	7,592	-	4,051	11,643	67,953	45,538
Total salaries and related expenses	512,467	180,015	154,568	31,899	878,949	118,499	-	63,233	181,732	1,060,681	726,439
Special events	-	-	-	-	-	-	181,935	-	181,935	181,935	7,449
Depreciation	90,272	5,824	5,824	5,824	107,744	2,912	2,912	2,912	8,736	116,480	118,785
Other	73,274	1,485	4,762	1,485	81,006	743	25,473	743	26,959	107,965	57,403
Occupancy	62,972	4,063	4,063	4,063	75,161	2,031	2,031	2,031	6,093	81,254	67,482
Professional fees	41,283	2,663	2,663	2,663	49,272	1,332	1,332	1,332	3,996	53,268	107,427
Veterinary fees	27,857	-	-	-	27,857	-	-	-	-	27,857	25,651
Program supplies	12,466	-	8,387	-	20,853	-	-	1,939	1,939	22,792	12,240
Insurance	14,920	962	962	962	17,806	481	481	481	1,443	19,249	14,348
Information technology	14,268	921	921	921	17,031	460	460	460	1,380	18,411	17,311
Staff development	11,132	718	718	718	13,286	359	359	359	1,077	14,363	7,864
Printing and copying	8,346	538	538	538	9,960	269	269	269	807	10,767	12,282
Office supplies	7,105	458	458	458	8,479	229	229	229	687	9,166	11,982
Volunteer appreciation	5,876	392	392	392	7,052	783	-	-	783	7,835	8,359
Telephone	4,976	321	321	321	5,939	161	161	161	483	6,422	7,505
Bank and credit card charges	3,052	1,072	921	190	5,235	706	-	377	1,083	6,318	3,933
Dues and subscriptions	4,030	260	260	260	4,810	130	130	130	390	5,200	5,611
Travel and mileage reimbursement	4,635	17	117	17	4,786	34	-	-	34	4,820	5,737
Payroll processing fees	1,385	487	418	86	2,376	320	-	171	491	2,867	2,497
Postage	1,224	79	79	79	1,461	39	39	39	117	1,578	3,190
Meetings and in-house events	498	32	32	32	594	16	16	16	48	642	5,732
<b>Total</b>	<b>\$ 902,038</b>	<b>200,307</b>	<b>186,404</b>	<b>50,908</b>	<b>1,339,657</b>	<b>129,504</b>	<b>215,827</b>	<b>74,882</b>	<b>420,213</b>	<b>\$ 1,759,870</b>	<b>\$ 1,229,227</b>
<b>% of Total Expense</b>	<b>51.2%</b>	<b>11.4%</b>	<b>10.6%</b>	<b>2.9%</b>	<b>76.1%</b>	<b>7.4%</b>	<b>12.3%</b>	<b>4.2%</b>	<b>23.9%</b>	<b>100.0%</b>	

DUO DOGS, INC.

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2021)**

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	<b>\$ (330,446)</b>	\$ 297,271
Adjustments:		
Donated stock	<b>(143,523)</b>	(524)
Depreciation	<b>116,480</b>	118,785
Realized and unrealized (gain) loss on investments	<b>209,833</b>	(235,317)
Paycheck protection program loan forgiven	<b>(165,422)</b>	(163,342)
(Increase) decrease in operating assets:		
Contributions receivable:		
Pledges receivable	<b>34,548</b>	(15,086)
United Way of Greater St. Louis	<b>(1,716)</b>	-
Accounts receivable	<b>(33,963)</b>	5,583
Prepaid expenses and accrued interest	<b>38,903</b>	(38,358)
Increase (decrease) in operating liabilities:		
Accounts payable	<b>5,389</b>	(3,783)
Accrued expenses	<b>13,040</b>	(13,939)
<b>Net Cash Used by Operating Activities</b>	<b>(256,877)</b>	(48,710)
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	<b>(233,262)</b>	(19,215)
Proceeds from sale of investments	<b>224,814</b>	50,524
Purchase of property and equipment	<b>(3,372)</b>	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(11,820)</b>	31,309
<b>Cash Flows from Financing Activities</b>		
Proceeds from paycheck protection program loan	-	165,422
<b>Net Cash Provided by Financing Activities</b>	-	165,422
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(268,697)</b>	148,021
Cash and cash equivalents, beginning of year	<b>868,223</b>	720,202
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 599,526</b>	\$ 868,223



NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Business Description and Principles of Consolidation***

**Duo Dogs, Inc. (Duo)**, a not-for-profit organization, 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**) was a wholly owned subsidiary of **Duo**. **SMH** owned the office and training facility used by **Duo**. On June 30, 2021, SMH deeded the office and training facility to **Duo**.

The summarized comparative information at June 30, 2021 and for the year then ended consolidate the 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 financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

***Comparative Consolidated Totals***

The 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, 2021, from which the summarized consolidated information was derived.

***Financial Statement Presentation***

**Duo** 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 **Duo**. These net assets may be used at the discretion of **Duo'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 **Duo** 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 9, **Duo** received a permanently restricted endowment to provide funding for **Duo'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.

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

***Estimates***

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

***Prior Period Reclassifications***

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported increase in net assets.

***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 **Duo's** program strategy, and manage **Duo's** financial and budgetary responsibilities.

***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.

Notes to Financial Statements (Continued)

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

***Cash and Cash Equivalents***

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

***Accounts and Contributions Receivable***

**Duo** reports accounts receivable for services provided at net receivable amounts. **Duo** 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.

**Duo** 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. **Duo** considers any receivables older than 30 days to be past due. At June 30, 2022 and 2021, **Duo** 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 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 interest and dividends, which consists of the dividend and interest income net of investment fees.

***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.

***Revenue and Revenue Recognition***

**Duo** receives revenue from program service fees, obedience classes, grants, contributions, and ticket sales from special events. **Duo** 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.

Notes to Financial Statements (Continued)

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

***Revenue and Revenue Recognition (Continued)***

**Duo** 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, 2022 and 2021.

**Duo** 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 **Duo's** non-financial assets or are specialized skills that **Duo** would normally purchase if not provided by donation. During the years ended June 30, 2022 and 2021, volunteers donated approximately 162,036 and 213,688 hours, respectively to **Duo'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. **Duo** considers the Volunteer Puppy Raisers to donate 16 hours of every day for the entire year caring for **Duo's** assistance dogs in training, alleviating **Duo** 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
Other employee benefits	Direct costs, time and effort
Payroll taxes	Direct costs, time and effort
Special events	Direct costs
Depreciation	Time and effort
Other	Direct costs, time and effort
Occupancy	Time and effort
Professional fees	Time and effort
Veterinary fees	Direct costs
Program supplies	Direct costs
Insurance	Time and effort
Information technology	Time and effort
Staff development	Time and effort
Printing and copying	Time and effort
Office supplies	Time and effort
Volunteer appreciation	Time and effort
Telephone	Time and effort
Bank and credit card charges	Direct costs, time and effort
Dues and subscriptions	Time and effort
Travel and mileage reimbursement	Direct costs, time and effort
Payroll processing fees	Direct costs, time and effort
Postage	Time and effort
Meetings and in-house events	Time and effort

## Notes to Financial Statements (Continued)

**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. Advertising expense was \$34,654 and \$13,500 for the years ended June 30, 2022 and 2021, respectively.

**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 was a disregarded entity for tax purposes and therefore, assumed the tax status of Duo. Accordingly, no provision for income taxes has been included in the accompanying 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 10, 2022, no informational returns have been selected for examination.

**Subsequent Events**

Duo has evaluated subsequent events through November 10, 2022, the date which the financial statements were available to be issued, for possible recognition or disclosure.

**NOTE 2 AVAILABILITY AND LIQUIDITY**

Duo's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Financial assets at year end:</b>		
Cash and cash equivalents	\$ 599,526	\$ 868,223
Contributions receivable	87,480	120,312
Accounts receivable	35,770	1,807
Investments	1,166,086	1,223,948
<b>Total Financial Assets</b>	<b>1,888,862</b>	<b>2,214,290</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	249,643	282,970
Less net assets with time and purpose restrictions to be met in less than one year	(99,643)	(132,970)
<b>Total amounts not available to be used within one year</b>	<b>380,000</b>	<b>380,000</b>
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 1,508,862</b>	<b>\$ 1,834,290</b>

Notes to Financial Statements (Continued)

**NOTE 2 AVAILABILITY AND LIQUIDITY (CONTINUED)**

**Duo** 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, **Duo** must maintain sufficient resources to meet those responsibilities to the donors. As part of **Duo's** liquidity management, the policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. **Duo** invests cash more than daily requirements in short-term investments. **Duo's** Board has designated a portion of its unrestricted resources. All board designated funds can be made available to meet operating needs if necessary. **Duo** could also draw upon a \$500,000 available line of credit (as discussed in Note 6).

**NOTE 3 CONCENTRATIONS OF CASH AND CREDIT RISK**

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

**Duo** 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. Cash balances did not exceed FDIC limits at June 30, 2022. At June 30, 2021, cash balances exceeded FDIC limits by approximately \$351,000.

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, 2022 and 2021, investment balances exceeded SIPC limits by approximately \$666,000 and \$724,000, respectively.

**NOTE 4 PROPERTY AND EQUIPMENT**

	<b>June 30,</b>	
	<b>2022</b>	2021
Land	<b>\$ 699,369</b>	\$ 699,369
Building	<b>3,672,207</b>	3,672,207
Building improvements	<b>180,628</b>	180,628
Training equipment	<b>14,099</b>	14,099
Office furniture and fixtures	<b>144,495</b>	141,123
Property and equipment at cost	<b>4,710,798</b>	4,707,426
Less accumulated depreciation	<b>(752,783)</b>	(636,303)
<b>Property and Equipment, Net</b>	<b>\$ 3,958,015</b>	\$ 4,071,123

Depreciation expense was \$116,480 and \$118,785 for the years ended June 30, 2022 and 2021, respectively.

Notes to Financial Statements (Continued)

**NOTE 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 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.

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.

## Notes to Financial Statements (Continued)

**NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, **Duo'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, 2022</b>				
Certificates of deposit	\$ 50,182	-	50,182	-
Mutual funds	984,288	984,288	-	-
Exchange traded funds	131,616	131,616	-	-
<b>Total</b>	<b>\$ 1,166,086</b>	<b>1,115,904</b>	<b>50,182</b>	<b>-</b>
<b>June 30, 2021</b>				
Certificates of deposit	\$ 134,093	-	134,093	-
Mutual funds	950,617	950,617	-	-
Exchange traded funds	139,238	139,238	-	-
<b>Total</b>	<b>\$ 1,223,948</b>	<b>1,089,855</b>	<b>134,093</b>	<b>-</b>

**NOTE 6 LINE OF CREDIT**

In November 2018, **Duo** entered into a line of credit agreement that provides for maximum borrowings of \$500,000. The line of credit was renewed in November 2021 and matures in November 2024. There were no borrowings under this line of credit at June 30, 2022 and 2021.

**NOTE 7 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.

In January 2021, the Organization applied for and was granted a second PPP loan in the amount of \$165,422. The loan was uncollateralized and was fully guaranteed by the Federal government. The loan accrued interest, but payments were not required to begin for ten months after the end of the covered period. The Organization applied for forgiveness and received full forgiveness on August 26, 2021. Revenue for the forgiveness of the loan is reported on the Statement of Activities.



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**DUO DOGS, INC.**

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Notes to Financial Statements (Continued)

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 135,930	\$ 152,507
Purpose restrictions	109,228	88,577
<b>Total</b>	<b>\$ 245,158</b>	<b>\$ 241,084</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:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Time restrictions met	\$ 154,214	\$ 132,507
Purpose restrictions met	124,271	105,781
<b>Total</b>	<b>\$ 278,485</b>	<b>\$ 238,288</b>

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

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Time restrictions	\$ 67,968	\$ 86,252
Purpose restrictions	31,675	46,718
Restricted endowment	150,000	150,000
<b>Total</b>	<b>\$ 249,643</b>	<b>\$ 282,970</b>

**NOTE 9 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, 2022 and 2021. 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.

## Notes to Financial Statements (Continued)

**NOTE 9 ENDOWMENT FUND (CONTINUED)**

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 **Duo** 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 **Duo**.
7. The investment policies of **Duo**.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, **Duo** 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). **Duo** 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.**

**Duo** 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, **Duo** considered the long-term expected return on its endowment. Accordingly, **Duo** expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with **Duo'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 10 CONTRIBUTED SERVICES, MATERIALS, AND EQUIPMENT**

Significant qualifying services, materials, and equipment are contributed to **Duo** annually and are recorded at fair value upon receipt. For the years ended June 30, 2022 and 2021, **Duo** recognized in-kind support as follows:

	<b>Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Donated stock	\$ 143,523	\$ 524
Fundraising events	24,730	-
Supplies and merchandise	7,712	5,687
Services	1,850	350
Equipment	-	992
<b>Total</b>	<b>\$ 177,815</b>	<b>\$ 7,553</b>