
DUO DOGS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

DUO DOGS, INC.
JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of **Duo Dogs, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 21, 2024

DUO DOGS, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

Assets	June 30,	
	2024	2023
Current Assets		
Cash and cash equivalents	\$ 1,133,438	\$ 991,500
Contributions receivable - United Way	66,252	69,732
Grants receivable	50,000	-
Accounts receivable	43,950	20,500
Prepaid expenses and accrued interest	23,268	39,033
Total Current Assets	1,316,908	1,120,765
Property and Equipment, Net	3,815,051	3,935,624
Investments	2,280,202	1,344,093
Total Assets	\$ 7,412,161	\$ 6,400,482
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,417	\$ 5,798
Accrued expenses	50,962	77,615
Total Current Liabilities	54,379	83,413
Net Assets		
Without Donor Restrictions		
Undesignated	6,846,875	5,852,822
Board designated - operating reserve	230,000	230,000
Net Assets Without Donor Restrictions	7,076,875	6,082,822
With Donor Restrictions	280,907	234,247
Total Net Assets	7,357,782	6,317,069
Total Liabilities and Net Assets	\$ 7,412,161	\$ 6,400,482

DUO DOGS, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Without Donor Restrictions	With Donor Restrictions	Totals	2023
Support, Revenue, and Gains (Losses)				
Contributions:				
General, grants, and government contracts	\$ 1,635,852	485,908	2,121,760	\$ 1,161,322
United Way of Greater St. Louis	718	132,507	133,225	142,030
Special events	423,261	-	423,261	549,953
In-kind contributions	47,449	-	47,449	174,764
Program service fees	77,370	-	77,370	40,725
Obedience revenues (refunds)	74,283	-	74,283	117,616
Other Income	25,275	-	25,275	70,532
Employee retention credit	-	-	-	140,766
Net interest and dividends	71,992	-	71,992	29,390
Realized losses	(1,491)	-	(1,491)	(8,074)
Unrealized gains	155,037	-	155,037	104,872
Support and Revenue Available	2,509,746	618,415	3,128,161	2,523,896
Net assets released from restrictions	571,755	(571,755)	-	-
Total Support, Revenue, and Gains	3,081,501	46,660	3,128,161	2,523,896
Expenses				
Program Services				
Assistance dog program	1,049,434	-	1,049,434	983,797
Outreach program	178,487	-	178,487	172,753
Duo Touch Therapy program	340,800	-	340,800	343,509
Paws for Reading program	36,684	-	36,684	46,532
Total Program Services	1,605,405	-	1,605,405	1,546,591
Supporting Services				
General and administrative	113,870	-	113,870	121,465
Fundraising	267,462	-	267,462	223,443
Obedience expenses	100,711	-	100,711	127,763
Total Supporting Services	482,043	-	482,043	472,671
Total Expenses	2,087,448	-	2,087,448	2,019,262
Increase in Net Assets	994,053	46,660	1,040,713	504,634
Net Assets, Beginning of Year	6,082,822	234,247	6,317,069	5,812,435
Net Assets, End of Year	\$ 7,076,875	280,907	7,357,782	\$ 6,317,069

DUO DOGS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Program Services					Supporting Services					Total	2023
	Assistance Dog	Outreach	Duo Touch Therapy Program	Paws for Reading Program	Total Program Services	Mgmt. and General	Fundraising		Total Supporting Services			
							Other	Obedience				
Salaries and wages	\$ 517,717	129,996	186,655	11,223	845,591	84,901	95,211	72,736	252,848	\$ 1,098,439	\$ 1,056,172	
Other employee benefits	57,118	14,342	20,593	1,238	93,291	9,367	10,504	8,025	27,896	121,187	102,933	
Payroll taxes	40,152	10,082	14,476	870	65,580	6,585	7,384	5,641	19,610	85,190	82,257	
Total salaries and related expenses	614,987	154,420	221,724	13,331	1,004,462	100,853	113,099	86,402	300,354	1,304,816	1,241,362	
Other	122,711	3,083	13,148	3,083	142,025	1,542	1,542	1,743	4,827	146,852	182,598	
Special events	-	-	-	-	-	-	142,120	-	142,120	142,120	118,782	
Occupancy	44,438	4,444	28,885	4,444	82,211	2,222	2,222	2,222	6,666	88,877	96,614	
Professional fees	42,426	3,394	13,576	3,394	62,790	1,697	1,697	1,697	5,091	67,881	60,143	
Veterinary fees	47,942	-	-	-	47,942	-	-	-	-	47,942	37,082	
Program supplies	29,890	-	10,243	1,006	41,139	-	-	2,192	2,192	43,331	27,497	
Information technology	17,519	1,401	5,606	1,401	25,927	701	701	701	2,103	28,030	32,800	
Insurance	13,813	1,381	8,978	1,381	25,553	691	691	691	2,073	27,626	22,230	
Dues and subscriptions	10,931	1,093	7,105	1,093	20,222	547	547	547	1,641	21,863	13,674	
Bank and credit card charges	5,756	1,445	2,075	125	9,401	944	1,059	809	2,812	12,213	10,106	
Volunteer appreciation	6,680	445	445	445	8,015	891	-	-	891	8,906	6,942	
Printing and copying	4,965	397	1,589	397	7,348	199	199	199	597	7,945	7,964	
Travel and mileage reimbursement	4,016	16	682	16	4,730	33	-	-	33	4,763	4,535	
Staff development	2,584	207	827	207	3,825	103	103	103	309	4,134	22,483	
Payroll processing fees	1,746	438	629	38	2,851	286	321	245	852	3,703	4,492	
Telephone	1,704	136	545	136	2,521	68	68	68	204	2,725	6,891	
Office supplies	1,177	94	376	94	1,741	47	47	47	141	1,882	4,684	
Postage	1,096	88	351	88	1,623	44	44	44	132	1,755	2,755	
Meetings and in-house events	708	57	226	57	1,048	28	28	28	84	1,132	778	
Total Expenses Before Depreciation	975,089	172,539	317,010	30,736	1,495,374	110,896	264,488	97,738	473,122	1,968,496	1,904,412	
Depreciation	74,345	5,948	23,790	5,948	110,031	2,974	2,974	2,973	8,921	118,952	114,850	
Total Expenses	\$ 1,049,434	178,487	340,800	36,684	1,605,405	113,870	267,462	100,711	482,043	\$ 2,087,448	\$ 2,019,262	
% of Total Expense	50.2%	8.6%	16.3%	1.8%	76.9%	5.5%	12.8%	4.8%	23.1%	100.0%		

DUO DOGS, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024 AND 2022

	June 30,	
	2024	2023
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,040,713	\$ 504,634
Adjustments:		
Donated stock	(592)	(89,049)
Depreciation	118,952	114,850
Realized and unrealized gain on investments	(153,546)	(96,795)
(Increase) decrease in operating assets:		
Contributions receivable:		
Pledges receivable	-	19,512
Grants receivable	(50,000)	-
United Way of Greater St. Louis	3,480	(1,716)
Accounts receivable	(23,450)	15,270
Prepaid expenses and accrued interest	15,765	(23,433)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,381)	(8,792)
Accrued expenses	(26,653)	42,163
Net Cash Provided by Operating Activities	922,288	476,644
Cash Flows from Investing Activities		
Purchase of investments	(898,776)	(327,927)
Proceeds from sale of investments	116,805	335,767
Purchase of property and equipment	1,621	(92,459)
Net Cash Used by Investing Activities	(780,350)	(84,619)
Net Increase in Cash and Cash Equivalents	141,938	391,974
Cash and cash equivalents, beginning of year	991,500	599,526
Cash and Cash Equivalents, End of Year	\$ 1,133,438	\$ 991,500

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

BUSINESS DESCRIPTION

Duo Dogs, Inc. (Duo), a nonprofit 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 person with disabilities 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 Duo Touch Therapy Program and educational programs, including the Paws for Reading Program, to thousands of individuals in the St. Louis Metropolitan area.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Comparative Totals

The financial statements include certain prior year summarized comparative 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 financial statements for the year ended June 30, 2023, from which the summarized 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 the **Duo** Touch Therapy program.

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.

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 or dogs trained to support local Veterans living with PTSD.

Facility Dogs - Dogs trained and placed with 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 Touch Therapy Program

Duo provides training and certification to volunteers and their personal dogs to visit partner facilities in which the patients or residents can benefit from a visit with a well-trained canine. Paws for Reading teams visit classroom or library settings acting as an incentive for the children to increase time spent reading and improve their reading skills. Duo Response Dogs provide comfort and emotional support in the aftermath of a crisis.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Effective January 1, 2023, **Duo** adopted Accounting Standards Update No. 2016-13 – Financial Instruments – Credit Losses (Topic 326), which replaces the incurred methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. **Duo** completed its evaluation of the impact of adopting ASU 2016-13 using the modified retrospective approach and it was determined that the new standard did not have a significant impact to the financial statements and an adjustment was not required to the opening net assets balance.

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, 2024 and 2023, **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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue and Revenue Recognition**

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, 2024 and 2023.

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, 2024 and 2023, volunteers donated approximately 287,702 and 298,132 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 24 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:

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
Other	Direct costs, time and effort
Special events	Direct costs
Depreciation	Time and effort
Occupancy	Time and effort
Professional fees	Time and effort
Veterinary fees	Direct costs
Information technology	Time and effort
Program supplies	Direct costs
Staff development	Time and effort
Insurance	Time and effort
Dues and subscriptions	Time and effort
Bank and credit card charges	Direct costs, time and effort
Printing and copying	Time and effort
Volunteer appreciation	Time and effort
Telephone	Time and effort
Office supplies	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

DUO DOGS, INC.

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 \$10,439 and \$6,647 for the years ended June 30, 2024 and 2023, respectively.

Income Tax Status

Duo Dogs, Inc. is a nonprofit 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. Accordingly, no provision for income taxes has been included in the accompanying financial statements. **Duo** 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. **Duo's** Returns of Organization Exempt from Income Tax (Form 990s) are subject to examination, generally for three years after they are filed. No informational returns have been selected for examination as of October 21, 2024.

Subsequent Events

Duo has evaluated subsequent events through October 21, 2024, 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:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,133,438	\$ 991,500
Contributions and grants receivable	116,252	69,732
Accounts receivable	43,950	20,500
Investments	2,280,202	1,344,093
Total Financial Assets	3,573,842	2,425,825
Less amounts not available to be used within one year:		
Board designated funds	230,000	230,000
Net assets with donor restrictions	280,907	234,247
Less net assets with time and purpose restrictions to be met in less than one year	(130,907)	(84,247)
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	\$ 3,193,842	\$ 2,045,825

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).

Notes to Financial Statements (Continued)

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. At June 30, 2024 and 2023, cash balances exceeded FDIC limits by approximately \$15,500 and \$90,000, 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 securities held by a brokerage firm. Investments are insured by the Securities Investor Protection Corporation (SIPC), which protects investors from exposure of losing cash and securities, up to \$500,000. In addition to the SIPC, **Duo** has additional security protection through Lloyd's of London up to \$150 million.

NOTE 4 PROPERTY AND EQUIPMENT

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Land	\$ 699,369	\$ 699,369
Building	3,672,207	3,672,207
Building improvements	207,916	207,916
Training equipment	14,099	14,099
Office furniture and fixtures	208,045	209,666
Property and equipment at cost	4,801,636	4,803,257
Less accumulated depreciation	(986,585)	(867,633)
Property and Equipment, Net	\$ 3,815,051	\$ 3,935,624

Depreciation expense was \$118,952 and \$114,850 for the years ended June 30, 2024 and 2023, respectively.

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).

Notes to Financial Statements (Continued)

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

US Treasury Bills and Fixed Income – issued at a discount from the face value and mature at full value usually in a year or less.

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
June 30, 2024				
Fixed income	\$ 738,516	738,516	-	-
Mutual funds	1,251,123	1,251,123	-	-
Exchange traded funds	290,563	290,563	-	-
Total	\$ 2,280,202	2,280,202	-	-
June 30, 2023				
US treasury bills	\$ 148,122	148,122	-	-
Mutual funds	990,157	990,157	-	-
Exchange traded funds	205,814	205,814	-	-
Total	\$ 1,344,093	1,344,093	-	-

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, 2024 and 2023.

NOTE 7 EMPLOYEE RETENTION CREDIT

The CARES Act provided an employee retention credit (ERC), which was initially a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit was equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Subsequent ERC provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter during 2021. During the year ended June 30, 2023, the **Duo** filed for credits of \$268,074, which represent refunds due for the quarters ending June 30, 2020 through September 30, 2021.

During the year ended June 30, 2023, **Duo** received \$170,785. Due to the conditional components of the refunds, **Duo** has not recognized the remaining amount as a receivable and will record the refund as received. As of October 21, 2024, **Duo** has not received the remaining amount.

DUO DOGS, INC.

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>2024</u>	<u>2023</u>
Time restrictions	\$ 132,507	\$ 139,462
Purpose restrictions	485,908	405,054
Total	\$ 618,415	\$ 544,516

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>2024</u>	<u>2023</u>
Time restrictions met	\$ 135,987	\$ 137,698
Purpose restrictions met	435,768	422,214
Total	\$ 571,755	\$ 559,912

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

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Time restrictions	\$ 66,252	\$ 69,732
Purpose restrictions	64,655	14,515
Restricted endowment	150,000	150,000
Total	\$ 280,907	\$ 234,247

NOTE 9 ENDOWMENT FUND

In 2013, **Duo** received a \$150,000 donor restricted endowment established to provide funding for Duo Touch Therapy program. The endowment fund is restricted indefinitely. There were no changes in endowment net assets for the years ended June 30, 2024 and 2023. 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)**Interpretation of Relevant Law (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, 2024 and 2023, **Duo** recognized in-kind support as follows:

	<u>Years Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Donated stock	\$ 592	\$ 89,049
Fundraising events	32,183	62,527
Supplies and merchandise	14,674	23,188
Total	\$ 47,449	\$ 174,764