

DOULOS DISCOVERY MINISTRIES, INC.

TYLER, TEXAS

FINANCIAL STATEMENTS

JULY 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Doulos Discovery Ministries, Inc.

Report on Financial Statements

I have audited the accompanying financial statements of Doulos Discovery Ministries, Inc., (a non-profit organization), which comprise the statements of financial position as of July 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Doulos Discovery Ministries, Inc.'s preparation and fair presentation of the 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 Doulos Discovery Ministries, Inc.'s internal control. Accordingly, I 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 financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Doulos Discovery Ministries, Inc. as of July 31, 2015 and 2014, 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.

Stuart J. Bonniwell
Certified Public Accountant

Minneapolis, Minnesota
June 8, 2016

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2015 AND 2014

| | 2015 | 2014 |
|--|------------|------------|
| ASSETS | | |
| Current Assets | | |
| Cash - Operations | | |
| Checking and Savings | \$ 287,532 | \$ 210,468 |
| Certificates of Deposit | 92,458 | 92,304 |
| | 379,990 | 302,772 |
| Accounts and Other Receivables | 495 | 110 |
| | \$ 380,485 | \$ 302,882 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities - Accounts Payable | \$ 39,723 | \$ 33,599 |
| Net Assets - Restricted | 340,762 | 269,283 |
| | \$ 380,485 | \$ 302,882 |

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2015 AND 2014

| | 2015 | | | 2014 |
|-------------------------------------|----------------|-------------------|-------------------|-------------------|
| | Unrestricted | Restricted | Total | |
| Revenues and Support | | | | |
| Contributions and Grants | | \$ 979,816 | \$ 979,816 | \$ 939,773 |
| Other Revenues | | 24,033 | 24,033 | 32,528 |
| Net Assets Released of Restrictions | \$ 932,370 | (932,370) | - | - |
| Total Revenues and Support | <u>932,370</u> | <u>71,479</u> | <u>1,003,849</u> | <u>972,301</u> |
| Expenses | | | | |
| Program Services | | | | |
| Missionary Support | | | | |
| Salaries and Stipends | 242,520 | | 242,520 | 347,260 |
| Staff Expenses | 193,420 | | 193,420 | 207,952 |
| Development/Educational Assistance | | | | |
| Scholarships and Other | 201,282 | | 201,282 | 174,824 |
| Program Development | 125,967 | | 125,967 | 87,385 |
| Capital Projects and Other | 13,443 | | 13,443 | 32,284 |
| Community Development | | | | |
| Work Teams | 115,588 | | 115,588 | 102,334 |
| Total Program Services | <u>892,220</u> | | <u>892,220</u> | <u>952,039</u> |
| Supporting Services | | | | |
| Management and General | 40,150 | | 40,150 | 38,843 |
| Fund Raising | - | | - | - |
| Total Expenses | <u>932,370</u> | <u>-</u> | <u>932,370</u> | <u>990,882</u> |
| Increase (Decrease) in Net Assets | - | 71,479 | 71,479 | (18,581) |
| Nets Assets Beginning of Year | <u>-</u> | <u>269,283</u> | <u>269,283</u> | <u>287,864</u> |
| Nets Assets End of Year | <u>\$ -</u> | <u>\$ 340,762</u> | <u>\$ 340,762</u> | <u>\$ 269,283</u> |

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2015 AND 2014

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Increase (Decrease) in Net Assets | \$ 71,479 | \$ (18,581) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities | | |
| (Increase) Decrease in Current Assets | | |
| Accounts and Other Receivables | (385) | 3,172 |
| Prepaid Expenses | | 3,000 |
| Increase (Decrease) in Current Liabilities | | |
| Accounts Payable | 6,124 | (3,009) |
| Net Cash Provided (Used) by Operating Activities | <u>77,218</u> | <u>(15,418)</u> |
| Cash Flows from Investing Activities: | | |
| Payments Received on Note Receivable | <u>-</u> | <u>3,375</u> |
| Cash Flows from Financing Activities: | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Cash | 77,218 | (12,043) |
| Cash - Beginning of Year | <u>302,772</u> | <u>314,815</u> |
| Cash - End of Year | <u>\$ 379,990</u> | <u>\$ 302,772</u> |

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 1. NATURE OF ACTIVITIES AND ORGANIZATION

Doulos Discovery Ministries, Inc. (Doulos) is an association of agencies and individuals organized to focus on performing Christian mission work, including but not limited to community services, development of educational programs for the underprivileged and international team outreach. Doulos has no membership requirements.

Doulos is organized as a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. In addition, Doulos has been determined not be a private foundation as described by the Internal Revenue Code.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies adopted by Doulos conform to accounting principles generally accepted in the United States of America and reflect practices common to similar organizations. The more significant accounting policies are described below.

Basis of Presentation – The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-for-Profit Organizations*." This Statement requires not-for-profit organizations to report information regarding its financial position and activities according to three classes of net assets;

- 1) unrestricted,
- 2) temporarily restricted, or
- 3) permanently restricted, depending on limitations placed on the net assets.

This Statement also requires that the amount of change in each classification of net assets be displayed in the statement of activities.

Basis of Accounting – The accounts of Doulos are maintained on the accrual basis of accounting. Under this method of accounting, revenues from contributions and grants are recorded when received and other types of revenues are recognized when earned (service fees, investment and other income). Expenses are recognized as incurred.

Revenue Recognition – Substantial portions of revenue received by Doulos are derived from contributions and grants. In accordance with FASB Statement No. 116, contributions received or promises to give are recorded as assets and support in the period in which the contributions are received. Contributions received other than cash are recorded at fair value when received. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Contributions are tax deductible within limitations prescribed by the Internal Revenue Code.

Promises to give are recognized as revenue when the donor makes a promise to give that is unconditional. Management of Doulos has determined there were no such unconditional promises to give known at year-end. Pledges for scholarship support terminate at year-end and any outstanding amounts are not reflected in the accompanying financial statements as management has considered the amounts not material.

Donated (volunteer) services are not recorded in the accompanying financial statements since Doulos does not maintain such records.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents – For purposes of the statement of cash flows, Doulos considers all highly liquid investments (savings and certificates of deposits) due within one-year to be cash equivalents. Certificates of deposits are recorded at cost, which approximates their fair value at year-end. Investment income is recorded as earned.

Investments – Investments, if any, are reported at fair value in accordance with FASB Statement No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This Statement requires that marketable equity securities with readily determinable fair values be reported at fair value, with unrealized appreciation or depreciation in value included in the statement of activities. Doulos maintained no investments in marketable securities at either July 31, 2015 or 2014.

Accounts Receivable – Accounts receivable are recorded for costs incurred by Doulos for the benefit of the Doulos Discovery School during the year. All amounts reported are at gross (not reduced by an allowance for uncollected accounts) and reimbursement of these costs is typically received during the ensuing month.

Capital Assets – Doulos does not maintain any capital assets (equipment and furniture). Major equipment acquisitions would be capitalized and recorded at cost in the accompanying financial statements. Depreciation would be computed using the straight-line method over the estimated useful life of the assets. Minor equipment costs are expensed when purchased because management has determined such amounts not to be significantly material to warrant capitalization and depreciation. Donated assets would be capitalized at their fair value on the date received and depreciated accordingly.

Building improvements and equipment constructed or acquired by Doulos for the benefit of the Doulos Discovery School are recorded as an expense rather than capitalized in the accompanying financial statements; these assets are transferred to the School for operational purposes.

Classes of Net Assets – Doulos reports its net assets in accordance with FASB No. 117 as previously noted. The financial statements report amounts separately by the following class of net assets:

- a) Unrestricted amounts are currently available at the discretion of the Board of Directors to support activities of Doulos.
- b) Temporarily restricted amounts are:
 - 1) Restricted by donors for specific operational purposes or for future capital acquisitions; or
 - 2) Not currently available for use until commitments regarding their use have been satisfied or beneficiary interests have ceased.
- c) Permanently restricted amounts are restricted by donors in perpetuity as endowments or trusts.

Doulos treats all contributions received as temporarily restricted assets available for operational purposes as determined by the Board of Directors. Management has determined that Doulos has no permanently restricted net assets as of July 31, 2015 or 2014.

Advertising – Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended July 31, 2015 and 2014 are included as management and general expenses.

Income Taxes – As previously noted, Doulos is a nonprofit, tax-exempt organization for federal and state income taxes purposes. There was no unrelated business income for the years ended July 31, 2015 or 2014.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

Doulos Discovery Ministries, Inc.'s income tax filings are subject to audit by various taxing authorities. The statute of limitations remains open for the years 2012 through 2015. Doulos believes its tax estimates are appropriate based on current facts and circumstances.

Allocation of Expenses – The costs of providing programs and supporting activities of Doulos have been summarized on a functional basis in the accompanying statement of activities. Expenses which are related to a specific program or supporting service are charged directly to that program category. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Doulos. Management has determined that the majority of expenses incurred are related to program services.

Reclassifications – Certain amounts presented for the previous year have been reclassified to conform to the method of presentation used in 2015, these reclassifications had no impact on operations previously reported.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. RESTRICTED NET ASSETS

Restricted net assets of Doulos Discovery Ministries, Inc. are segregated into several programs and/or functions. Estimated amounts of restricted net assets by program or function as of July 31, 2015 and 2014 are as follows.

| <u>Program and/or Function</u> | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| Missionaries and Teachers | \$ 168,695 | \$ 52,302 |
| Scholarships - Students and Other | 109,355 | 91,774 |
| Development Projects | 14,656 | 119,072 |
| Other Programs | <u>48,056</u> | <u>6,135</u> |
| | <u>\$ 340,762</u> | <u>\$ 269,283</u> |

NOTE 4. LEASE AGREEMENT

Doulos Discovery School is located in Jarabacoa, Dominican Republic. School property consisting of buildings and related grounds is leased from a third party. The current lease expires on December 31, 2018. Terms of this lease require monthly payments of \$3,500 through the end of the lease period. Subsequent terms of the lease agreement require annual rental increases to be determined as provided for in the agreement. Discussions have commenced with the property owner in an effort to secure a permanent lease agreement or transfer ownership of the school property to the Doulos Discovery School.

This lease has been assigned to Doulos Discovery Ministries, Inc., who makes the required rental payments on behalf of the school. Doulos is subsequently reimbursed by Doulos Discovery School for the rents paid.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 5. INTERNATIONAL OUTREACH

The primary focus of Doulos Discovery Ministries, Inc. (Doulos) has been the establishment of Doulos Discovery School, a school for under-privileged children in Jarabacoa, Dominican Republic. The mission of Doulos is to equip future leaders in the Dominican Republic who reflect the character of Christ through experiential learning. Doulos provides support for the school in a variety of ways, consisting of direct aid for school operations, scholarships to children attending school, recruitment of teachers and staff as well as management services. Doulos expended approximately \$776,600 and \$849,700 in direct support of the costs of maintaining and operating this school during the years ended July 31, 2015 and 2014, respectively. Direct costs include missionary/teacher support, developmental and educational assistance consisting of scholarships and other forms of assistance.

Doulos Discovery School (DDS) provides education opportunities for pre-kindergarten through twelfth grade children in a bilingual program (Spanish and English). The school started in 2003 and current enrollment is approximately 265 students (current capacity). Most children in the Dominican Republic attend public schools where the quality of education provided is less than ideal and students typically attend class for three hours per day with up to sixty children in a classroom.

Doulos began with a dream to bridge this education gap in several ways. First is by offering an excellent education opportunity to under-privileged students who show academic and leadership promise. Most private schools in the area offer few scholarships, but DDS chooses to offer full scholarships to at least half of its student enrollment. As a result, DDS draws in students who would never have had this kind of opportunity. Parents pay as much as they can afford and supplement by offering service hours in return to the school. Doulos finds sponsors to cover other expenses associated with operating the school.

The second bridge to gap is the difference between the Catholics and Protestants. Scholarship families must be involved in a local church and are usually Protestant, whereas non-scholarship families are almost completely Catholic. These two groups have not had a friendly past, but at DDS all are Christ worshipers. The Bible is an important topic that is taught.

DDS is an experiential learning school where the belief is that children learn best by doing. DDS offers an Outdoor Education Week every November for all of its students. Students work on semester long projects called expeditions, modeled after the Outward Bound program, where students become independent explorers.

DDS is recognized by the Secretary of Education of the Dominican Republic and is a college preparatory program for United States and Dominican Republic universities. In addition, DDS has been accredited by the Association of Christian Schools International. DDS is also focused on service and students finding opportunities and ways to serve their community each week.

Operations of the Doulos Discovery School are managed by a separate Board of Directors with some representation from Doulos Discovery Ministries, Inc.

NOTE 6. CONTRIBUTED SERVICES

Contributions of services are recognized if the service received (a) creates or enhances non-financial assets, or (b) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

NOTE 6. CONTRIBUTED SERVICES, continued

For the years ended July 31, 2015 and 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not determined. In addition, many individuals volunteer time and perform a variety of duties that assist Doulos with management and fund-raising functions which do not meet the criteria for recognition as contributed services.

NOTE 7. SUBSEQUENT EVENTS

Management of Doulos Discovery Ministries, Inc. has evaluated subsequent events through the date which the financial statements were available to be issued. No events were noted subsequent to July 31, 2015, except as noted below, which may have had an effect on Doulos and would require the accompanying financial statements to be adjusted or changed.

Management of Doulos became aware that one the Doulos Discovery School's classroom buildings may have a structural building problem. Subsequent testing of the building has been completed to determine the severity of the problem and discussions have commenced to explore alternatives to resolve the issue.