

**DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)**

BURNSVILLE, MINNESOTA

FINANCIAL STATEMENTS

JULY 31, 2016

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STUART J. BONNIWELL
Certified Public Accountant

7101 York Avenue South
Suite 346
Minneapolis, Minnesota 55435

Office: (952) 921-3325
Fax: (952) 921-3331
e-mail: sbonniwell@unique-software.com

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., dba Doulos Ministries (a non-profit organization), which comprise the statements of financial position as of July 31, 2016 and 2015, 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.

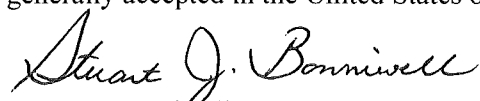
Auditor's Responsibility

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., dba Doulos Ministries, as of July 31, 2016 and 2015, 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 2, 2017

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets		
Cash - Operations		
Checking and Savings	\$ 118,346	\$ 287,532
Certificates of Deposit	92,602	92,458
	210,948	379,990
Accounts and Other Receivables	7,292	495
Prepaid Expenses	3,500	
	\$ 221,740	\$ 380,485
LIABILITIES AND NET ASSETS		
Current Liabilities - Accounts Payable	\$ 50,162	\$ 39,723
Net Assets - Restricted	171,578	340,762
	\$ 221,740	\$ 380,485

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2016 AND 2015

	2016		Total	2015
	Unrestricted	Restricted		
Revenues and Support				
Contributions and Grants		\$ 853,653	\$ 853,653	\$ 979,816
Other Revenues		25,176	25,176	24,033
Net Assets Released of Restrictions	\$ 1,048,013	(1,048,013)	-	-
Total Revenues and Support	<u>1,048,013</u>	<u>(169,184)</u>	<u>878,829</u>	<u>1,003,849</u>
Expenses				
Program Services				
Missionary Support				
Salaries	246,295		246,295	242,520
Staff Expenses	233,563		233,563	193,420
Development/Educational Assistance				
Scholarships and Other	201,494		201,494	201,282
Program Development	117,245		117,245	125,967
Capital Projects and Other	89,794		89,794	13,443
Community Development				
Work Teams	125,735		125,735	115,588
Total Program Services	<u>1,014,126</u>		<u>1,014,126</u>	<u>892,220</u>
Supporting Services				
Management and General	33,887		33,887	40,150
Fund Raising	-		-	-
Total Expenses	<u>1,048,013</u>	<u>-</u>	<u>1,048,013</u>	<u>932,370</u>
Increase (Decrease) in Net Assets	-	(169,184)	(169,184)	71,479
Nets Assets Beginning of Year	<u>-</u>	<u>340,762</u>	<u>340,762</u>	<u>269,283</u>
Nets Assets End of Year	<u>\$ -</u>	<u>\$ 171,578</u>	<u>\$ 171,578</u>	<u>\$ 340,762</u>

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (169,184)	\$ 71,479
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
(Increase) Decrease in Current Assets		
Accounts and Other Receivables	(6,797)	(385)
Prepaid Expenses	(3,500)	
Increase (Decrease) in Current Liabilities		
Accounts Payable	10,439	6,124
Net Cash Provided (Used) by Operating Activities	<u>(169,042)</u>	<u>77,218</u>
Cash Flows from Investing Activities:		
Payments Received on Note Receivable	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash	(169,042)	77,218
Cash - Beginning of Year	<u>379,990</u>	<u>302,772</u>
Cash - End of Year	<u>\$ 210,948</u>	<u>\$ 379,990</u>

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

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 has adopted the brand name of Doulos Ministries to better identify itself from other organizations with similar names and purposes. However, Doulos has not changed its name and is conducting business using the name of Doulos Ministries.

Doulos Discovery Ministries, Inc. 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 generally accepted accounting principles. These principles require not-for-profit organizations to report information regarding its financial position and activities according to three classes of net assets, these are; 1) unrestricted, 2) temporarily restricted, or 3) permanently restricted, depending on limitations placed on the net assets. In addition, the change in each classification of net assets should 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 generally accepted accounting principles, 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.
(dba DOULOS MINISTRIES)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

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. Accounting principles require 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, 2016 or 2015.

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

Prepaid Expenses – Payments made for services that will benefit periods beyond the current period are recorded as prepaid expenses. Prepaid expenses are for rent payments associated with operation of the School.

Capital Assets – Doulos does not maintain any capital assets (equipment and furniture). Minor equipment costs are expensed when purchased because management has determined such amounts not to be significantly material to warrant capitalization and depreciation. 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. Donated assets, if any, would be capitalized at their fair value on the date received and depreciated accordingly.

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

Classes of Net Assets –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, 2016 or 2015.

Advertising – Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended July 31, 2016 and 2015 are included as management and general expenses.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2016 or 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.

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, 2016 and 2015 are as follows.

<u>Program and/or Function</u>	<u>2016</u>	<u>2015</u>
Missionaries and Teachers	\$ 90,071	\$ 168,695
Scholarships - Students and Other	107,312	109,355
Development Projects	8,021	14,656
Other Programs (Deficit)	<u>(33,826)</u>	<u>48,056</u>
	<u>\$ 171,578</u>	<u>\$ 340,762</u>

NOTE 4. LEASE AGREEMENT

Doulos Discovery School (the 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 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 the School for rents paid.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

NOTE 5. INTERNATIONAL OUTREACH

The primary focus of Doulos Discovery Ministries, Inc. has been the establishment of Doulos Discovery School (the 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 \$888,400 and \$776,600 in direct support of the costs of maintaining and operating the School during the years ended July 31, 2016 and 2015, respectively. Direct costs include missionary/teacher support, developmental and educational assistance consisting of scholarships and other forms of assistance. During this past year, Doulos contributed approximately \$90,000 towards the construction and equipping of a new elementary school building. In addition, under an agreement the School reimburses Doulos for a portion of the salaries paid to teachers. Amounts reimbursed to Doulos were \$65,965 and \$61,275 for the years ended July 31, 2016 and 2015, respectively.

The School 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, 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 the School chooses to offer full scholarships to at least half of its student enrollment. As a result, the School 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 the School all are Christ worshipers. The Bible is an important topic that is taught.

The School is an experiential learning school where the belief is that children learn best by doing. The School 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.

Doulos Discovery School 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, the School has been accredited by the Association of Christian Schools International. The School 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.

DOULOS DISCOVERY MINISTRIES, INC.
(dba DOULOS MINISTRIES)
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

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.

For the years ended July 31, 2016 and 2015, 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, 2016 which may have had an effect on Doulos that would require the accompanying financial statements to be adjusted or changed.