

**DOULOS DISCOVERY MINISTRIES, INC.**

**TYLER, TEXAS**

**FINANCIAL STATEMENTS**

**JULY 31, 2011**

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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.  
Tyler, Texas

I have audited the accompanying statements of financial position of Doulos Discovery Ministries, Inc., a non-profit organization as of July 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Doulos Discovery Ministries, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Stuart J. Bonniwell  
Certified Public Accountant  
Minneapolis, Minnesota  
April 30, 2012

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash - Operations	\$ 250,971	\$ 270,660
Funds Held By Others	1,192	4,915
Accounts and Other Receivables	<u>1,375</u>	<u>32,768</u>
Total Assets	<u><u>\$ 253,538</u></u>	<u><u>\$ 308,343</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 34,643	\$ 29,678
Accrued Payroll Taxes	<u>3,338</u>	<u>2,650</u>
Total Current Liabilities	<u>37,981</u>	<u>32,328</u>
Net Assets - Restricted	<u>215,557</u>	<u>276,015</u>
Total Liabilities and Net Assets	<u><u>\$ 253,538</u></u>	<u><u>\$ 308,343</u></u>

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JULY 31, 2011 AND 2010**

	2011			2010
	Unrestricted	Restricted	Total	
Revenues and Support				
Contributions and Grants		\$ 629,531	\$ 629,531	\$ 616,850
Special Event (Net)		15,392	15,392	23,728
Other Revenues		3,932	3,932	11,868
Net Assets Released of Restrictions	\$ 709,313	(709,313)	-	-
Total Revenues and Support	<u>709,313</u>	<u>(60,458)</u>	<u>648,855</u>	<u>652,446</u>
Expenses				
Program Services				
Missionary Support				
Teaching Salaries or Stipends	305,967		305,967	194,337
Staff Expenses	133,411		133,411	125,117
Educational Assistance				
Scholarships	114,700		114,700	96,000
Other Assistance	100,556		100,556	97,140
Community Development				
Work Teams	37,162		37,162	45,245
Other Development Costs				6,000
Total Program Services	<u>691,796</u>		<u>691,796</u>	<u>563,839</u>
Supporting Services				
Management and General	17,517		17,517	13,605
Fund Raising	-		-	-
Total Expenses	<u>709,313</u>	<u>-</u>	<u>709,313</u>	<u>577,444</u>
Increase (Decrease) in Net Assets	-	(60,458)	(60,458)	75,002
Nets Assets Beginning of Year	<u>-</u>	<u>276,015</u>	<u>276,015</u>	<u>201,013</u>
Nets Assets End of Year	<u>\$ -</u>	<u>\$ 215,557</u>	<u>\$ 215,557</u>	<u>\$ 276,015</u>

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (60,458)	\$ 75,002
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
(Increase) Decrease In Funds Held by Others	3,723	(167)
(Increase) Decrease in Accounts and Other Receivables	31,393	(19,465)
Increase (Decrease) in Accounts Payable	5,653	8,316
Net Cash Provided (Used) by Operating Activities	(19,689)	63,686
 Cash Flows from Investing Activities:	 -	 -
 Cash Flows from Financing Activities:	 -	 -
Increase (Decrease) in Cash	(19,689)	63,686
Cash - Beginning of Year	270,660	206,974
Cash - End of Year	\$ 250,971	\$ 270,660

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2011**

**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 when the donor makes a promise to give to Doulos that is unconditional. Management of Doulos has determined there are no such unconditional promises to give known at year-end.

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, 2011**

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 would be reported at fair value, in accordance with FASB Statement No. 124, "*Accounting for Certain Investments Held by Not-for-Profit Organizations*." The 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 had no investments at either July 31, 2011 or 2010.

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 anticipated during the current fiscal year.

Equipment and Furniture – Doulos does not have any equipment and furniture recorded in the accompanying financial statements. Minor equipment costs are charged to expense as purchased because management has determined such amounts not to be significantly material to warrant capitalization and depreciation. Building and major equipment acquisitions would be capitalized and recorded at cost. Donated assets would be capitalized at their fair value on the date received. Depreciation would be computed using the straight-line method over the estimated useful life of the assets.

Building improvements and equipment purchased by Doulos and subsequently transferred to the Doulos Discovery School are recorded as an expense rather than capitalized.

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, 2011 or 2010.

Advertising - Advertising and promotion costs are expensed as incurred. Advertising and promotion expenses for the years ended July 31, 2011 and 2010 were \$1,782 and \$1,337, respectively and are included as program 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, 2011 or 2010.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2011**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 for program related 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 and disclosures of contingent 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

The restricted net assets of Doulos Discovery Ministries, inc. are segregated into several programs and/or functions. Following is a summary of restricted net assets as of July 31, 2011 and 2010.

<u>Program and/or Function</u>	<u>2011</u>	<u>2010</u>
Missionaries	\$ 109,442	\$ 151,616
Teachers	15,142	10,379
Scholarships - Students	35,635	21,081
Scholarships - Other	11,852	16,041
Development Projects	35,793	71,191
Other Programs	7,693	5,707
	<u>\$ 215,557</u>	<u>\$ 276,015</u>

NOTE 4. 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.

During the years ended July 31, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer time and perform a variety of tasks that assist Doulos with management and fund-raising functions which do not meet the criteria for recognition as contributed services.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2011**

**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 \$654,600 and \$513,700 in direct support of the costs of maintaining and operating this school during the years ended July 31, 2011 and 2010, respectively.

Doulos Discovery School (DDS) provides education opportunities for pre-kindergarten through twelfth grade children in a bilingual program (Spanish and English). The school started seven years ago and current enrollment is approximately 230 students. 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 a few scholarships, but DDS chooses to offer full scholarships to at least half of its student body.

As a result, DDS draws in students that 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 find 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. INCOME TAX FILINGS**

Doulos Discovery Ministries' income tax filings are subject to audit by various taxing authorities. The statute of limitations remains open for the years 2008 through 2011. Doulos believes its tax estimates are appropriate based on current facts and circumstances.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2011**

**NOTE 7. CONCENTRATION OF CREDIT RISK**

Doulos has a number of financial instruments exposed to concentrations of credit risk consisting primarily of cash, investments and payables. Doulos estimates that the fair value of all financial instruments at July 30, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position due to the short maturity of these financial instruments. Doulos using available information has determined the estimated fair value amounts; however, these estimates are not necessarily indicative of the amounts that would be realized in a current market exchange.

**NOTE 8. 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, 2011 which may have had an adverse effect on Doulos and would require the accompanying financial statements to be adjusted or changed.