

**DOULOS DISCOVERY MINISTRIES, INC.**

**TYLER, TEXAS**

**FINANCIAL STATEMENTS**

**JULY 31, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

To The 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, 2010 and 2009, 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. 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, 2010 and 2009, 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  
May 17, 2011

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash - Operations	\$ 270,660	\$ 206,974
Funds Held By Others	4,915	4,748
Accounts and Other Receivables	<u>32,768</u>	<u>13,303</u>
Total Assets	<u><u>\$ 308,343</u></u>	<u><u>\$ 225,025</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 29,678	\$ 22,673
Accrued Payroll Taxes	<u>2,650</u>	<u>1,339</u>
Total Current Liabilities	<u>32,328</u>	<u>24,012</u>
Net Assets - Restricted	<u>276,015</u>	<u>201,013</u>
Total Liabilities and Net Assets	<u><u>\$ 308,343</u></u>	<u><u>\$ 225,025</u></u>

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JULY 31, 2010 AND 2009**

	2010			2009
	Unrestricted	Restricted	Total	
Revenues and Support				
Contributions and Grants		\$ 616,850	\$ 616,850	\$ 541,455
Special Event (Net)		23,728	23,728	
Other Revenues		11,868	11,868	8,985
Net Assets Released of Restrictions	\$ 577,444	(577,444)	-	-
Total Revenues and Support	<u>577,444</u>	<u>75,002</u>	<u>652,446</u>	<u>550,440</u>
Expenses				
Program Services				
Missionary Support				
Teaching Salaries or Stipends	194,337		194,337	146,497
Staff Expenses	125,117		125,117	64,424
Educational Assistance				
Scholarships	96,000		96,000	95,000
Other Assistance	97,140		97,140	40,931
Community Development				
Work Teams	45,245		45,245	89,227
Other Development Costs	6,000		6,000	1,500
Total Program Services	<u>563,839</u>		<u>563,839</u>	<u>437,579</u>
Supporting Services				
Management and General	13,605		13,605	11,822
Fund Raising	-		-	-
Total Expenses	<u>577,444</u>	<u>-</u>	<u>577,444</u>	<u>449,401</u>
Increase in Net Assets	-	75,002	75,002	101,039
Nets Assets Beginning of Year	<u>-</u>	<u>201,013</u>	<u>201,013</u>	<u>99,974</u>
Nets Assets End of Year	<u>\$ -</u>	<u>\$ 276,015</u>	<u>\$ 276,015</u>	<u>\$ 201,013</u>

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2010 AND 2009**

	2010	2009
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 75,002	\$ 101,039
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
(Increase) Decrease In Funds Held by Others	(167)	(3,759)
(Increase) Decrease in Accounts and Other Receivables	(19,465)	(8,496)
Increase (Decrease) in Accounts Payable	8,316	6,717
Net Cash Provided by Operating Activities	63,686	95,501
 Cash Flows from Investing Activities:	 -	 -
 Cash Flows from Financing Activities:	 -	 -
Increase in Cash	63,686	95,501
Cash - Beginning of Year	206,974	111,473
Cash - End of Year	\$ 270,660	\$ 206,974

See Accompanying Notes to Financial Statements.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2010**

**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 to 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 market 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.

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

**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. Investments are recorded at cost, which approximates their fair market value at year-end. Investment income is recorded as earned.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2010**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Investments – Investments are reported at fair market 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, 2010 or 2009.

Property and Equipment - Building and major equipment acquisitions would be capitalized and recorded at cost. Doulos currently does not have any property or equipment. Donated assets would be capitalized at their fair market value on the date received. Depreciation would be computed using the straight-line method over the estimated useful life of the assets. Minor equipment costs are charged to expense when purchased because management has determined such amounts not to be significantly material to warrant capitalization and depreciation. Equipment purchased by Doulos and subsequently transferred to the Doulos Discovery School is 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, 2010 or 2009.

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, 2010 or 2009.

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.



**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2010**

**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, 2010 and 2009.

<u>Programs and/or Functions</u>	<u>2010</u>	<u>2009</u>
Missionaries	\$ 151,616	\$ 112,475
Teachers	10,379	5,972
Scholarships - Students	21,081	17,080
Scholarships - Other	16,041	1,793
Development Projects	71,191	63,293
Other Programs	5,707	400
	<u>\$ 276,015</u>	<u>\$ 201,013</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, 2010 and 2009, 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.

**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 \$513,700 and \$347,000 in direct support of the costs of maintaining and operating this school during the years ended July 31, 2010 and 2009, 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 six years ago and current enrollment is approximately 215 students. The first graduating class of students occurred this past year. 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.

**DOULOS DISCOVERY MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2010**

NOTE 5. INTERNATIONAL OUTREACH, continued

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. 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. 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, 2010 which may have had an adverse effect on Doulos and would require the accompanying financial statements to be adjusted or changed.