

DOULOS DISCOVERY MINISTRIES, INC.

TYLER, TEXAS

FINANCIAL STATEMENTS

JULY 31, 2009

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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, 2009 and 2008, 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, 2009 and 2008, 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
February 12, 2010

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets		
Cash - Operations	\$ 206,974	\$ 111,473
Funds Held By Others	4,748	989
Accounts and Other Receivables	13,303	4,807
Total Assets	\$ 225,025	\$ 117,269
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 22,673	\$ 17,295
Accrued Interest Taxes	1,339	
Total Current Liabilities	24,012	17,295
Net Assets		
Restricted	201,013	99,974
Total Liabilities and Net Assets	\$ 225,025	\$ 117,269

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	2009			2008
	Unrestricted	Restricted	Total	
Revenues and Support				
Contributions and Grants		\$ 541,455	\$ 541,455	\$ 497,023
Other Revenues		8,985	8,985	9,826
Net Assets Released of Restrictions	\$ 449,401	(449,401)	-	-
Total Revenues and Support	<u>449,401</u>	<u>101,039</u>	<u>550,440</u>	<u>506,849</u>
Expenses				
Program Services				
Missionary Support				
Teaching Salaries or Stipends	146,497		146,497	171,373
Staff Expenses	64,424		64,424	67,854
Educational Assistance				
Scholarships	95,000		95,000	83,302
Other Assistance	40,931		40,931	52,692
Community Development				
Work Teams	89,227		89,227	74,407
Other Development Costs	1,500		1,500	5,393
Total Program Services	<u>437,579</u>		<u>437,579</u>	<u>455,021</u>
Supporting Services				
Management and General	11,822		11,822	15,649
Fund Raising	-		-	-
Total Expenses	<u>449,401</u>	<u>-</u>	<u>449,401</u>	<u>470,670</u>
Increase (Decrease) in Net Assets	-	101,039	101,039	36,179
Nets Assets Beginning of Year	<u>-</u>	<u>99,974</u>	<u>99,974</u>	<u>63,795</u>
Nets Assets End of Year	<u>\$ -</u>	<u>\$ 201,013</u>	<u>\$ 201,013</u>	<u>\$ 99,974</u>

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 101,039	\$ 36,179
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
(Increase) Decrease In Funds Held by Others	(3,759)	216
(Increase) Decrease in Accounts and Other Receivables	(8,496)	(3,363)
Increase (Decrease) in Accounts Payable	6,717	3,203
Net Cash Provided by Operating Activities	95,501	36,235
Cash Flows from Investing Activities:	-	-
Cash Flows from Financing Activities:	-	-
Increase in Cash	95,501	36,235
Cash - Beginning of Year	111,473	75,238
Cash - End of Year	\$ 206,974	\$ 111,473

See Accompanying Notes to Financial Statements.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009

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.

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 with an original maturity date of three months or less to be cash equivalents. There were no cash equivalents as of July 31, 2009 and 2008.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 has no investments.

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, 2009 or 2008.

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, 2009 or 2008.

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, 2009

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, 2009 and 2008.

<u>Programs and/or Functions</u>	<u>2009</u>	<u>2008</u>
Missionaries	\$ 112,475	\$ 55,483
Teachers	5,972	8,122
Scholarships - Students	17,080	14,687
Scholarships - Other	1,793	7,672
Development Projects	63,293	12,072
Other Programs	400	1,938
	<u>\$ 201,013</u>	<u>\$ 99,974</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, 2009 and 2008, 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 \$347,000 and \$375,200 in direct support of the costs of maintaining and operating this school during the years ended July 31, 2009 and 2008, respectively.

Doulos Discovery School (DDS) provides education opportunities for pre-kindergarten through eleventh grade children in a bilingual program (Spanish and English) with plans to add a grade-level each year through the twelfth grade. The school started five years ago and current enrollment is approximately 215 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.

DOULOS DISCOVERY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009

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 is managed by a separate Board of Directors with some representation from Doulos Discovery Ministries, Inc.