

# ***WALL WATCHERS***

*FINANCIAL STATEMENTS FOR THE YEARS  
ENDED JUNE 30, 2003 AND 2002 AND  
INDEPENDENT AUDITORS' REPORT*



# Wall Watchers™

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# WALL WATCHERS

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*June 30, 2003 and 2002*

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# C. DEWITT FOARD & COMPANY, P.A.

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CERTIFIED PUBLIC ACCOUNTANTS  
128 SOUTH TRYON STREET • SUITE 1700 • FIRST CITIZENS BANK PLAZA  
CHARLOTTE, NORTH CAROLINA 28202  
TELEPHONE: 704-372-1515 • FACSIMILE: 704-372-6066

PHILLIP G. WILSON  
TERRY W. LANCASTER

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Wall Watchers  
Matthews, North Carolina

We have audited the accompanying statements of financial position of Wall Watchers, (a not-for-profit organization) as of June 30, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Wall Watchers. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wall Watchers, as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*C. Dewitt Foard & Company, P.A.*

August 20, 2003

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**WALL WATCHERS****Statement of Financial Position****June 30, 2003 and 2002**

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	June 30,	
	<u>2003</u>	<u>2002</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and equivalents	\$ 51,418	\$ 163,824
Marketable securities	3,201	6,635
Prepaid expenses	7,790	2,883
Deposits	-	250
Total Current Assets	<u>62,409</u>	<u>173,592</u>
Noncurrent Assets:		
Property, net of accumulated depreciation of \$30,631 and \$31,768	11,388	13,684
System development costs, net of accumulated amortization of \$112,378 and \$80,207	7,442	39,613
Total Noncurrent Assets	<u>18,830</u>	<u>53,297</u>
TOTAL ASSETS	<u>\$ 81,239</u>	<u>\$ 226,889</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 2,775	\$ 2,649
Accrued liabilities	13,370	13,907
Total Current Liabilities	<u>16,145</u>	<u>16,556</u>
Noncurrent Liabilities:		
Deferred compensation	1,082	3,559
Net Assets:		
Unrestricted	64,012	206,774
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 81,239</u>	<u>\$ 226,889</u>

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**WALL WATCHERS*****Statement of Activities******Years Ended June 30, 2003 and 2002***

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	Year Ended June 30,	
	<u>2003</u>	<u>2002</u>
<b><u>SUPPORT AND REVENUE</u></b>		
Contributions	\$ 249,601	\$ 485,265
Investment income (loss)	3,511	(2,483)
Gain (loss) on disposal of fixed assets	(24)	-
Total Support and Revenue	<u>253,088</u>	<u>482,782</u>
<b><u>EXPENSES</u></b>		
Program services	316,876	313,355
Management and general	49,819	130,359
Fundraising	29,155	13,122
Total Expenses	<u>395,850</u>	<u>456,836</u>
CHANGE IN NET ASSETS	(142,762)	25,946
NET ASSETS, BEGINNING	<u>206,774</u>	<u>180,828</u>
NET ASSETS, ENDING	<u>\$ 64,012</u>	<u>\$ 206,774</u>

## WALL WATCHERS

### Statement of Functional Expenses

Years Ended June 30, 2003 and 2002

	Year Ended June 30, 2003				Year Ended June 30, 2002			
	Program Services	Management and General	Fundraising	TOTAL	Program Services	Management and General	Fundraising	TOTAL
<b><u>PERSONNEL</u></b>								
Salaries and wages	\$ 147,412	\$ 27,984	\$ 16,273	\$ 191,669	\$ 176,158	\$ 69,114	\$ 10,213	\$ 255,485
Payroll taxes	12,539	2,380	1,384	16,303	11,356	5,872	790	18,018
Benefits	24,858	4,719	2,744	32,321	17,389	6,954	1,020	25,363
Deferred compensation	(1,905)	(362)	(210)	(2,477)	(3,979)	(2,538)	(2,338)	(8,855)
Total Personnel	<u>182,904</u>	<u>34,721</u>	<u>20,191</u>	<u>237,816</u>	<u>200,924</u>	<u>79,402</u>	<u>9,685</u>	<u>290,011</u>
<b><u>OTHER EXPENSES</u></b>								
Editor	15,000	-	-	15,000	15,000	-	-	15,000
Research fellowship	22,625	-	-	22,625	-	-	-	-
Employee training and resources	938	221	104	1,263	889	1,253	310	2,452
Promotion and advertising	7,407	-	1,429	8,836	4,509	-	-	4,509
Technology services	1,184	225	131	1,540	7,526	655	-	8,181
Conferences and meetings	2,434	14	8	2,456	-	549	-	549
Travel and meals	676	129	74	879	1,335	1,057	236	2,628
Rent and occupancy costs	30,276	3,785	3,785	37,846	25,710	10,748	1,509	37,967
Utilities	3,324	415	415	4,154	2,711	1,084	159	3,954
Telephone	5,319	586	586	6,491	4,793	1,433	210	6,436
Insurance	1,194	2,718	149	4,061	-	3,875	-	3,875
Office and computer supplies	4,074	469	1,714	6,257	1,397	5,796	23	7,216
Printing and publications	297	56	33	386	-	1,334	465	1,799
Postage and shipping	710	135	78	923	38	937	-	975
Dues and subscriptions	803	152	89	1,044	95	1,438	-	1,533
Professional fees	-	3,000	-	3,000	-	16,020	-	16,020
Depreciation and amortization	37,711	1,477	369	39,557	47,717	3,110	456	51,283
Miscellaneous	-	1,716	-	1,716	711	1,668	69	2,448
Total Other Expenses	<u>133,972</u>	<u>15,098</u>	<u>8,964</u>	<u>158,034</u>	<u>112,431</u>	<u>50,957</u>	<u>3,437</u>	<u>166,825</u>
TOTAL EXPENSES	<u>\$ 316,876</u>	<u>\$ 49,819</u>	<u>\$ 29,155</u>	<u>\$ 395,850</u>	<u>\$ 313,355</u>	<u>\$ 130,359</u>	<u>\$ 13,122</u>	<u>\$ 456,836</u>

See accompanying notes to financial statements.

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**WALL WATCHERS****Statement of Cash Flows****Years Ended June 30, 2003 and 2002**

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	Year Ended June 30,	
	<u>2003</u>	<u>2002</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (142,762)	\$ 25,946
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	39,557	51,283
Realized and unrealized (gain) loss on investments	(3,104)	3,437
(Increase) decrease in operating assets:		
Prepaid expenses and deposits	(4,657)	2,096
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(411)	4,317
Deferred compensation	(2,477)	(8,855)
Net Cash Flows from Operating Activities	<u>(113,854)</u>	<u>78,224</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of marketable securities	-	(25,822)
Contribution of marketable securities	(211,250)	-
Proceeds from sales of marketable securities	217,913	63,021
Purchases of property	(5,215)	(2,914)
Net Cash Flows from Investing Activities	<u>1,448</u>	<u>34,285</u>
CHANGE IN CASH	(112,406)	112,509
CASH AND EQUIVALENTS, BEGINNING	<u>163,824</u>	<u>51,315</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 51,418</u>	<u>\$ 163,824</u>

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# WALL WATCHERS

## *Notes to Financial Statements*

*June 30, 2003 and 2002*

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### NOTE 1 - SUMMARY OF OPERATIONS

#### Operations

Wall Watchers, a North Carolina not-for-profit corporation, is a nonprofit Christian ministry established in July 1998 to promote the Biblical principles of stewardship and help people apply those principles in their lives. Wall Watchers is an information intermediary; it collects, processes and disseminates information, primarily to help donors make better informed giving decisions, but also to promote Christian stewardship in general. During the fiscal year ended June 30, 2003, Wall Watchers continued to carry out this mission by conducting research on more than 500 Christian ministries, developing the databases and web sites used to capture and convey this research, and promoting Wall Watchers' products and mission to the public.

Wall Watchers currently operates two programs to accomplish its purpose:

MinistryWatch.com – Through a searchable database contained on the web site, [www.ministrywatch.com](http://www.ministrywatch.com), Wall Watchers provides free informational profiles of Christian ministries. These profiles contain descriptions, organization details, summarized financial information, ratings, transparency grades, qualitative research and analysis, and other tools to help users learn more about individual ministries. The independent evaluations found on MinistryWatch.com are intended primarily as a service to donors. Information is obtained through contact with the ministries and through the research efforts of the Wall Watcher's analysts.

thegoodsteward.com – Through the web site [www.thegoodsteward.com](http://www.thegoodsteward.com), Wall Watchers provides a centralized source of written articles and interactive tools through which the public can be encouraged and educated in the many areas of Biblical stewardship. Wall Watchers publishes or republishes articles written by numerous authors on topics ranging from financial matters to life stewardship.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Wall Watchers is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2003 and 2002, Wall Watchers had no permanently restricted net assets and no remaining temporarily restricted net assets.



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# WALL WATCHERS

## *Notes to Financial Statements*

*June 30, 2003 and 2002*

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### Contributions

Wall Watchers accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, Wall Watchers reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. As permitted under SFAS No. 116, Wall Watchers has adopted a policy that all temporarily restricted contributions utilized by year-end are recorded as unrestricted support.

#### Cash and equivalents

Cash and equivalents consists of cash on hand, cash in banks, certificates of deposit with an original maturity of 90 days or less, and money market funds.

#### Property

Property consists of office furniture, equipment, and computers and is recorded at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method with no salvage values over the estimated useful lives of the related assets, which vary from three to eight years.

#### System development costs

Costs of developing the web sites, databases and systems to allow Wall Watchers to carry out its intended purpose have been capitalized and are amortized using the straight-line method over a period of three years.

#### Donated services

A number of volunteers, including members of the Board of Directors, contribute significant amounts of time to Wall Watchers. The value of this contributed time generally does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements.

#### Allocation of expenses

Expenses of Wall Watchers are reported on the functional basis in the statements of activities. Accordingly, expenses are allocated to program services, management and general, or fundraising according to the function benefited.

#### Federal income tax status

Wall Watchers is exempt from Federal income tax on its exempt function income under Internal Revenue Code Section 501(c)(3). As of June 30, 2003, Wall Watchers was classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code. However, because Wall Watchers receives most of its support from a limited number of donors, it is expected that Wall Watchers will be classified as a private foundation for the year ending June 30, 2004.

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# WALL WATCHERS

## *Notes to Financial Statements*

*June 30, 2003 and 2002*

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Therefore, actual results could be different from those estimates.

### NOTE 3 - INVESTMENTS

#### Balance at year-end

Marketable securities are recorded at fair value with realized and unrealized gains and losses included in the statement of activities. Marketable securities as of June 30, 2003 and 2002 consisted primarily of investments in publicly traded common stocks and mutual funds.

#### Investment income

Investment activity for the years ended June 30, 2003 and 2002, was as follows:

	<u>2003</u>	<u>2002</u>
Interest and dividend income	\$ 407	\$ 954
Realized and unrealized gains (losses)	<u>3,104</u>	<u>(3,427)</u>
TOTAL	<u>\$ 3,511</u>	<u>\$ (2,483)</u>

### NOTE 4 - DONATED PROPERTY AND FACILITIES

Wall Watchers received free use of its office space during each of the years ended June 30, 2003 and 2002. The annual use of this space has been valued at \$36,000 for both years, and has been included as support and as rent expense in the accompanying statements of activities.

### NOTE 5 - DEFERRED COMPENSATION

Wall Watchers has deferred compensation agreements with certain of its employees. Under the terms of these agreements, each of these employees will receive the value of an individual investment account established for their benefit upon the fifth anniversary of the start of their employment. Each of these employees has discretion over the management of their individual investment account prior to the vesting date. The value of these investment accounts is recorded as compensation expense over the vesting period of each employee. Forfeitures reduce compensation expense in the period of the forfeiture. Compensation expense related to these deferred compensation agreements totaled (\$2,477) and (\$8,855) for the years ended June 30, 2003 and 2002, respectively.

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# **WALL WATCHERS**

*Notes to Financial Statements*

*June 30, 2003 and 2002*

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## **NOTE 6 - CONCENTRATION OF REVENUE**

Wall Watchers received 97 percent of its cash support from a single donor during the year ended June 30, 2003, which represents a significant concentration of risk.