



Wall Watchers™

The Independent Source for Ministry Ratings

**Financial Statements for the Years
Ended June 30, 2001 and 2000 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

Wall Watchers:

We have audited the accompanying statements of financial position of Wall Watchers as of June 30, 2001 and 2000 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an 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. 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, 2001 and 2000, and the results of its operations and its cash flow for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses for the years ended June 30, 2001 and 2000 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

July 25, 2001

WALL WATCHERS

Statements of Financial Position

	June 30,	
	2001	2000
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 51,315	\$ 465,355
Marketable securities	47,271	70,008
Prepaid expenses	4,129	3,219
Deposits	1,100	415
Total current assets	<u>103,815</u>	<u>538,997</u>
Noncurrent assets:		
Property, net of accumulated depreciation of \$20,425 and \$8,848	22,113	20,660
System development costs, net of accumulated amortization of \$40,267 and \$7,769	79,553	69,419
Total noncurrent assets	<u>101,666</u>	<u>90,079</u>
Total Assets	<u>\$ 205,481</u>	<u>\$ 629,076</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 2,235	\$ 2,924
Accrued liabilities	10,004	7,250
Total current liabilities	<u>12,239</u>	<u>10,174</u>
Noncurrent liabilities:		
Deferred compensation	<u>12,414</u>	<u>8,738</u>
Net assets:		
Unrestricted	<u>180,828</u>	<u>610,164</u>
Total Liabilities and Net Assets	<u>\$ 205,481</u>	<u>\$ 629,076</u>

See notes to financial statements.

WALL WATCHERS

Statements of Activities

	Years Ended June 30,	
	2001	2000
REVENUE AND SUPPORT:		
Contributions received	\$ 97,665	\$ 46,000
Investment income (loss)	(22,971)	380,400
Total revenue and support	<u>74,694</u>	<u>426,400</u>
EXPENSES:		
Program services	324,962	182,621
Management and general	133,215	100,134
Fundraising	45,853	
Total expenses	<u>504,030</u>	<u>282,755</u>
CHANGE IN NET ASSETS	(429,336)	143,645
NET ASSETS, BEGINNING OF YEAR	<u>610,164</u>	<u>466,519</u>
NET ASSETS, END OF YEAR	<u>\$ 180,828</u>	<u>\$ 610,164</u>

See notes to financial statements.

WALL WATCHERS

Statements of Cash Flows

	Years Ended June 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (429,336)	\$ 143,645
Adjustments to reconcile change in net assets to net cash from operating activities:		
Deferred compensation	3,676	5,590
Depreciation and amortization	44,074	14,677
Realized and unrealized loss (gain) on investments	32,513	(365,012)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,595)	1,864
Accounts payable and accrued liabilities	2,065	2,678
Net cash used in operating activities	<u>(348,603)</u>	<u>(196,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(4,199,260)	(14,117,500)
Proceeds from sales of marketable securities	4,189,484	14,729,184
Purchases of property	(13,029)	(9,963)
Investment in system development costs	(42,632)	(75,478)
Net cash provided by (used in) investing activities	<u>(65,437)</u>	<u>526,243</u>
NET INCREASE (DECREASE) IN CASH	(414,040)	329,685
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>465,355</u>	<u>135,670</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 51,315</u>	<u>\$ 465,355</u>

See notes to financial statements.

WALL WATCHERS

Notes to Financial Statements
For the Years Ended June 30, 2001 and 2000

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Wall Watchers (the "Organization") 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. The Organization 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, 2001, the Organization continued to carry out this mission by conducting research on more than 400 Christian ministries, developing the databases and web sites used to capture and convey this research, and promoting the Organization's products and mission to the public.

The Organization currently operates two programs to accomplish its purpose:

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

thegoodsteward.com - Through the web site www.thegoodsteward.com, the Organization 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. The Organization publishes or republishes articles written by numerous authors on topics ranging from financial matters to life stewardship.

Financial Statement Presentation - The Organization reports 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. Unrestricted net assets represent amounts that are not restricted by donors or for which donor-imposed restrictions have expired. Temporarily restricted net assets represent amounts which contain donor-imposed time or purpose restrictions that have not currently been met. Permanently restricted net assets represent amounts that contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity. As of June 30, 2001, the Organization did not have any temporary or permanently restricted net assets.

Revenue Recognition - Contributions, that are given unconditionally, are recognized in the period the contributions are promised. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Allocation of Expenses - Expenses of the Organization 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.

Cash and Cash Equivalents - All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Marketable Securities - Marketable securities are recorded at fair value with realized and unrealized gains and losses included in the statement of activities. The fair value of marketable securities is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investments.

Property - Property consists of office furniture, equipment and computers and is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Donations of property are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

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

Income Taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

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

Use of Accounting 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 certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

2. DONATED PROPERTY AND FACILITIES

The Organization received free use of its office space during each of the years ended June 30, 2001 and 2000. The use of this space has been valued at \$32,250 and \$21,000 for 2001 and 2000, respectively, and these amounts have been included as support and as rent expense in the accompanying statements of activities.

3. MARKETABLE SECURITIES

Marketable securities as of June 30, 2001 and 2000 consisted primarily of investments in publicly traded common stocks and mutual funds.

The following is a summary of investment return for the years ended June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Net appreciation (depreciation) in fair value of investments, including realized and unrealized gains and losses	\$ (32,513)	\$ 365,012
Interest and dividends	<u>9,542</u>	<u>15,388</u>
Total investment income (loss)	<u>\$ (22,971)</u>	<u>\$ 380,400</u>

4. DEFERRED COMPENSATION

The Organization has deferred compensation agreements with certain of its employees. Under the terms of these agreements, each employee will receive the value of an individual investment account established for the benefit of each individual employee upon the fifth anniversary of the start of their employment. Each individual 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. Compensation expense related to these deferred compensation agreements totaled \$3,676 and \$5,590 for the years ended June 30, 2001 and 2000, respectively.

WALL WATCHERS

Supplemental Schedules of Functional Expenses

	Years Ended June 30,							
	2001				2000			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 208,352	\$ 43,123	\$ 32,740	\$ 284,215	\$ 112,256	\$ 46,337	\$ -	\$ 158,593
Deferred compensation	-	3,676	-	3,676	3,302	2,288	-	5,590
Other employee benefits	-	23,782	-	23,782	-	9,703	-	9,703
Payroll taxes	15,480	3,681	2,553	21,714	7,612	3,315	-	10,927
Editor	15,500	-	-	15,500	14,725	-	-	14,725
Data entry	-	-	-	-	4,104	-	-	4,104
Recruitment	637	1,101	-	1,738	-	4,128	-	4,128
Employee training	-	1,943	-	1,943	-	-	-	-
Research resources	2,446	-	-	2,446	-	-	-	-
Web Site promotion	14,439	-	-	14,439	-	-	-	-
Technology services	5,109	3,083	-	8,192	1,803	818	-	2,621
Fundraising resources	-	-	1,401	1,401	-	-	-	-
Conferences, conventions, and meetings	945	-	400	1,345	3,947	-	-	3,947
Travel and meals	2,586	4,467	3,618	10,671	3,397	6,934	-	10,331
Rent	19,350	9,675	3,225	32,250	17,850	3,150	-	21,000
Utilities	2,769	1,385	461	4,615	1,800	317	-	2,117
Telephone	3,598	1,798	600	5,996	2,020	2,021	-	4,041
Insurance	-	2,876	-	2,876	-	2,854	-	2,854
Office and computer supplies	-	7,501	-	7,501	-	3,264	-	3,264
Printing and publications	689	1,324	-	2,013	-	3,923	-	3,923
Postage and shipping	134	804	-	938	600	106	-	706
Dues and subscriptions	100	1,511	-	1,611	798	-	-	798
Licenses and permits	-	83	50	133	-	2,212	-	2,212
Professional fees	-	7,725	750	8,475	-	955	-	955
Depreciation and amortization	32,498	11,576	-	44,074	7,769	6,908	-	14,677
Miscellaneous	330	2,101	55	2,486	638	901	-	1,539
Total functional expenses	\$ 324,962	\$ 133,215	\$ 45,853	\$ 504,030	\$ 182,621	\$ 100,134	\$ -	\$ 282,755

See independent auditors' report.