



Wall Watchers™

*The Independent Source for Ministry Ratings*

**Financial Statements for the Years  
Ended June 30, 2000 and 1999 and  
Independent Auditors' Report**

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## INDEPENDENT AUDITORS' REPORT

### Wall Watchers:

We have audited the accompanying statements of financial position of Wall Watchers as of June 30, 2000 and 1999 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, 2000 and 1999, and the results of its operations and its cash flows 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, 2000 and 1999 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 audit 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.

*Greer & Walker, LLP*

August 11, 2000

# WALL WATCHERS

## Statements of Financial Position

	June 30,	
	2000	1999
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 465,355	\$ 135,670
Marketable securities	70,008	316,680
Prepaid expenses	3,219	2,913
Total current assets	<u>538,582</u>	<u>455,263</u>
Property, net of accumulated depreciation of \$8,848 and \$1,940	20,660	17,605
System development costs, net of accumulated amortization of \$7,769 and \$0	69,419	1,710
Deposits	<u>415</u>	<u>2,585</u>
Total Assets	<u>\$ 629,076</u>	<u>\$ 477,163</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 2,924	\$ 715
Accrued liabilities	<u>7,250</u>	<u>6,781</u>
Total current liabilities	<u>10,174</u>	<u>7,496</u>
Deferred compensation	8,738	3,148
Net assets:		
Unrestricted	<u>610,164</u>	<u>466,519</u>
Total Liabilities and Net Assets	<u>\$ 629,076</u>	<u>\$ 477,163</u>

See notes to financial statements.

# WALL WATCHERS

## Statements of Activities

	Years Ended June 30,	
	2000	1999
REVENUE AND SUPPORT:		
Contributions received	\$ 46,000	\$ 506,752
Investment income	380,400	73,260
Total revenue and support	<u>426,400</u>	<u>580,012</u>
EXPENSES:		
Program services	182,621	58,193
Management and general	100,134	55,300
Total expenses	<u>282,755</u>	<u>113,493</u>
CHANGE IN NET ASSETS	143,645	466,519
NET ASSETS, BEGINNING OF YEAR	<u>466,519</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 610,164</u>	<u>\$ 466,519</u>

See notes to financial statements.

# WALL WATCHERS

## Statements of Cash Flows

	Years Ended June 30,	
	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 143,645	\$ 466,519
Adjustments to reconcile change in net assets to net cash from operating activities:		
Noncash contributions		(505,002)
Depreciation and amortization	14,677	1,940
Realized and unrealized loss (gain) on investments	(365,012)	(55,117)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	1,864	(5,498)
Accounts payable and other liabilities	8,268	10,644
Net cash used in operating activities	<u>(196,558)</u>	<u>(86,514)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	(14,117,500)	(1,675,038)
Proceeds from sales of marketable securities	14,729,184	1,918,477
Purchases of property	(9,963)	(19,545)
Investment in system development costs	<u>(75,478)</u>	<u>(1,710)</u>
Net cash provided by investing activities	<u>526,243</u>	<u>222,184</u>
<b>NET INCREASE IN CASH</b>	329,685	135,670
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>135,670</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 465,355</u>	<u>\$ 135,670</u>

See notes to financial statements.

# WALL WATCHERS

Notes to Financial Statements  
For the Years Ended June 30, 2000 and 1999

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## 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Wall Watchers (the “Organization”) is a nonprofit Christian ministry established in July 1998 to provide independent evaluations and ratings of Christian ministries as a service to potential donors. 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 Biblical principles of stewardship. Through June 30, 2000, the primary activities have consisted of gathering information about various Christian ministries and developing web sites and databases to make such information available 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](http://www.ministrywatch.com), the Organization provides free informational profiles of Christian ministries. These profiles contain descriptive information, organization details, summarized financial information, ratings, qualitative research and analysis, and other tools to help users learn more about a ministry. Information is obtained through contact with the ministries themselves and through the research efforts of the Organization’s independent analysts.

thegoodsteward.com - Through the web site [www.thegoodsteward.com](http://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, 2000 and 1999, 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 according to the function benefited, whether program services, management and general, or fundraising.

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, 2000 and 1999. The use of this space has been valued at \$21,000 and \$1,750 for 2000 and 1999, 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, 2000 and 1999 consisted primarily of investments in various mutual funds.

The following is a summary of investment return for the years ended June 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Net appreciation or depreciation in fair value of investments, including realized and unrealized gains and losses	\$ 365,012	\$ 55,117
Interest and dividends	<u>15,388</u>	<u>18,143</u>
Total investment return	<u>\$ 380,400</u>	<u>\$ 73,260</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 \$5,590 and \$3,148 for the years ended June 30, 2000 and 1999, respectively.

5. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended June 30, 1999, the Organization received contributions totaling \$505,002 in the form of marketable securities.

## WALL WATCHERS

### Supplemental Schedules of Functional Expenses

	Years Ended June 30,					
	2000			1999		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 112,256	\$ 46,337	\$ 158,593	\$ 40,552	\$ 21,834	\$ 62,386
Other employee benefits		9,703	9,703	544	293	837
Payroll taxes	7,612	3,315	10,927	3,393	1,827	5,220
Deferred compensation	3,302	2,288	5,590	2,046	1,102	3,148
Conferences, conventions, and meetings	3,947		3,947	1,680		1,680
Recruitment		4,128	4,128		1,355	1,355
Rent	17,850	3,150	21,000	2,938	1,582	4,520
Technology services	1,803	818	2,621	347	1,123	1,470
Depreciation and amortization	7,769	6,908	14,677	1,261	679	1,940
Utilities	1,800	317	2,117	33	17	50
Insurance		2,854	2,854		594	594
Telephone	2,020	2,021	4,041	1,898	1,022	2,920
Professional fees		955	955		13,606	13,606
Office and computer supplies		3,264	3,264		1,974	1,974
Printing and publications		3,923	3,923		6,251	6,251
Travel and meals	3,397	6,934	10,331	2,273	1,052	3,325
Licenses and permits		2,212	2,212		600	600
Postage and shipping	600	106	706	331	59	390
Dues and subscriptions	798		798	823		823
Editor	14,725		14,725			
Data entry	4,104		4,104			
Miscellaneous	638	901	1,539	74	330	404
<b>Total functional expenses</b>	<b>\$ 182,621</b>	<b>\$ 100,134</b>	<b>\$ 282,755</b>	<b>\$ 58,193</b>	<b>\$ 55,300</b>	<b>\$ 113,493</b>

See independent auditors' report.