

WALL WATCHERS

*FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2007 AND 2006 AND
INDEPENDENT AUDITORS' REPORT*



Wall Watchers™

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WALL WATCHERS

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June 30, 2007 and 2006

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C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
1001 MOREHEAD SQUARE DRIVE • SUITE 450
CHARLOTTE, NORTH CAROLINA 28203
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, 2007 and 2006, 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 audits.

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, 2007 and 2006, 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.

September 20, 2007

WALL WATCHERS**Statement of Financial Position****June 30, 2007 and 2006**

	June 30,	
	2007	2006
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 7,764	\$ 6,048
Marketable securities	1,952	1,205
Receivables	163	-
Prepaid expenses	2,289	3,280
Total Current Assets	<u>12,168</u>	<u>10,533</u>
Noncurrent Assets:		
Property, net of accumulated depreciation of \$16,577 and \$14,913	<u>1,221</u>	<u>2,885</u>
Total Noncurrent Assets	<u>1,221</u>	<u>2,885</u>
TOTAL ASSETS	<u>\$ 13,389</u>	<u>\$ 13,418</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 1,150	\$ 461
Accrued liabilities	2,599	2,299
Loans payable	-	33,500
Total Current Liabilities	<u>3,749</u>	<u>36,260</u>
Net Assets:		
Unrestricted	<u>9,640</u>	<u>(22,842)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,389</u>	<u>\$ 13,418</u>

WALL WATCHERS**Statement of Activities****Years Ended June 30, 2007 and 2006**

	Year Ended June 30,	
	2007	2006
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 170,715	\$ 182,981
Investment income (loss)	775	(687)
Total Support and Revenue	<u>171,490</u>	<u>182,294</u>
<u>EXPENSES</u>		
Program services	121,222	193,150
Management and general	17,639	20,386
Fundraising	147	196
Total Expenses	<u>139,008</u>	<u>213,732</u>
CHANGE IN NET ASSETS	32,482	(31,438)
NET ASSETS, BEGINNING	<u>(22,842)</u>	<u>8,596</u>
NET ASSETS, ENDING	<u>\$ 9,640</u>	<u>\$ (22,842)</u>

WALL WATCHERS
Statement of Functional Expenses
Years Ended June 30, 2007 and 2006

	Year Ended June 30, 2007			Year Ended June 30, 2006				
	Program Services	Management and General	Fundraising	TOTAL	Program Services	Management and General	Fundraising	TOTAL
Salaries and wages	\$ 74,805	\$ 11,099	\$ -	\$ 85,904	\$ 129,188	\$ 10,733	\$ -	\$ 139,921
Payroll taxes	5,512	818	-	6,330	10,065	836	-	10,901
Benefits	9,146	1,357	-	10,503	24,458	2,032	-	26,490
Total Personnel	89,463	13,274	-	102,737	163,711	13,601	-	177,312
<u>OTHER EXPENSES</u>								
Research fellowship	12,000	-	-	12,000	1,000	-	-	1,000
Rent and occupancy costs	8,100	900	-	9,000	8,100	900	-	9,000
Promotion and advertising	7,427	-	-	7,427	8,449	-	-	8,449
Insurance	580	2,576	64	3,220	422	2,012	50	2,484
Depreciation and amortization	1,248	333	83	1,664	2,064	550	138	2,752
Employee training and resources	925	137	-	1,062	1,403	116	-	1,519
Travel and meals	348	52	-	400	1,086	90	-	1,176
Dues and subscriptions	287	43	-	330	1,267	105	-	1,372
Technology services	278	41	-	319	301	25	-	326
Telephone	281	31	-	312	810	42	-	852
Office and computer supplies	277	31	-	308	2,912	106	8	3,026
Postage and shipping	8	1	-	9	69	6	-	75
Professional fees	-	-	-	-	-	2,500	-	2,500
Miscellaneous	-	220	-	220	1,556	333	-	1,889
Total Other Expenses	31,759	4,365	147	36,271	29,439	6,785	196	36,420
TOTAL EXPENSES	\$ 121,222	\$ 17,639	\$ 147	\$ 139,008	\$ 193,150	\$ 20,386	\$ 196	\$ 213,732

See accompanying notes to financial statements.

WALL WATCHERS**Statement of Cash Flows****Years Ended June 30, 2007 and 2006**

	Year Ended June 30,	
	2007	2006
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 32,482	\$ (31,438)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,664	2,752
Realized and unrealized (gain) loss on investments	(747)	691
Loss on disposal of property	-	138
(Increase) decrease in operating assets:		
Receivables	(163)	-
Prepaid expenses	991	424
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	989	(1,371)
Net Cash Flows from Operating Activities	<u>35,216</u>	<u>(28,804)</u>
<u>INVESTING ACTIVITIES</u>		
Purchases of property	-	(1,238)
Net Cash Flows from Investing Activities	<u>-</u>	<u>(1,238)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from loans payable	500	62,500
Repayment of debt	(34,000)	(29,000)
Net Cash Flows from Financing Activities	<u>(33,500)</u>	<u>33,500</u>
CHANGE IN CASH	1,716	3,458
CASH AND EQUIVALENTS, BEGINNING	<u>6,048</u>	<u>2,590</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 7,764</u>	<u>\$ 6,048</u>

WALL WATCHERS

Notes to Financial Statements

June 30, 2007 and 2006

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, 2007, 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, 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, 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, 2007 and 2006, Wall Watchers had no permanently restricted net assets and no remaining temporarily restricted net assets.

WALL WATCHERS

Notes to Financial Statements

June 30, 2007 and 2006

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.

Accounts receivable

Accounts receivable of \$163 as of June 30, 2007 consists of amounts due from contributors and are stated at net realizable value, with no allowance for doubtful accounts.

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

\$119,820 of Costs of developing the web sites, databases, and systems to allow Wall Watchers to carry out its intended purpose have been capitalized in previous years and were fully 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, including performing the fundraising function. 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.

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) and is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

WALL WATCHERS

Notes to Financial Statements

June 30, 2007 and 2006

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, 2007 and 2006 consisted of investments in publicly traded common stocks.

Investment income

Investment activity for the years ended June 30, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 28	\$ 4
Realized and unrealized gains (losses)	<u>747</u>	<u>(691)</u>
TOTAL	<u>\$ 775</u>	<u>\$ (687)</u>

NOTE 4 - LOANS PAYABLE

Non-interest bearing loans payable are presented on the financial statements at face value, with no present value discount. Loans payable of \$33,500 as of June 30, 2006, consisted of two loans made by related parties with no specified repayment period. As of June 30, 2007 both of these loans had been repaid.

NOTE 5 - DONATED PROPERTY AND FACILITIES

Wall Watchers received free use of its office space from a company that is owned by a board member during each of the years ended June 30, 2007 and 2006. The annual use of this space has been valued at \$9,000 for both years, and has been included as support and as rent expense in the accompanying statements of activities.

NOTE 6 - CONCENTRATIONS OF RISK

Support

Wall Watchers received 92 percent of its cash support from its three largest donors during the year ended June 30, 2007, which represents a significant concentration of risk.