

# ***WALL WATCHERS***

*FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2008*



# Wall Watchers™

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# WALL WATCHERS

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*June 30, 2008*

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

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Wall Watchers, (a not-for-profit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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. The prior-year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated September 20, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides 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, 2008, 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 8, 2008

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# WALL WATCHERS

## *Statement of Financial Position*

*June 30, 2008, with prior year comparative totals*

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	June 30,	
	2008	2007
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and equivalents	\$ 13,303	\$ 7,764
Marketable securities	1,060	1,952
Receivables	-	163
Prepaid expenses	2,284	2,289
Total Current Assets	16,647	12,168
Noncurrent Assets:		
Property, net of accumulated depreciation of \$17,535 and \$16,577	263	1,221
Total Noncurrent Assets	263	1,221
TOTAL ASSETS	<u>\$ 16,910</u>	<u>\$ 13,389</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 2,277	\$ 1,150
Accrued liabilities	1,535	2,599
Total Current Liabilities	3,812	3,749
Net Assets:		
Unrestricted	13,098	9,640
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,910</u>	<u>\$ 13,389</u>

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**WALL WATCHERS***Statement of Activities**Year Ended June 30, 2008, with prior year comparative totals*

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	Year Ended June 30,	
	2008	2007
<b><u>SUPPORT AND REVENUE</u></b>		
Contributions	\$ 155,639	\$ 170,715
Investment income (loss)	(876)	775
Total Support and Revenue	<u>154,763</u>	<u>171,490</u>
<b><u>EXPENSES</u></b>		
Program services	129,346	121,222
Management and general	21,852	17,639
Fundraising	107	147
Total Expenses	<u>151,305</u>	<u>139,008</u>
CHANGE IN NET ASSETS	3,458	32,482
NET ASSETS, BEGINNING	<u>9,640</u>	<u>(22,842)</u>
NET ASSETS, ENDING	<u>\$ 13,098</u>	<u>\$ 9,640</u>

# WALL WATCHERS

## Statement of Functional Expenses

Year Ended June 30, 2008, with prior year comparative totals

	Program Services	Management and General	Fundraising	TOTALS	Prior Year Comparative TOTALS
<b><u>PERSONNEL</u></b>					
Salaries and wages	\$ 80,169	\$ 11,758	\$ -	\$ 91,927	\$ 85,904
Payroll taxes	6,263	919	-	7,182	6,330
Benefits	8,671	1,272	-	9,943	10,503
Total Personnel	95,103	13,949	-	109,052	102,737
<b><u>OTHER EXPENSES</u></b>					
Research fellowship	12,000	-	-	12,000	12,000
Promotion and advertising	10,044	-	-	10,044	7,427
Rent and occupancy costs	8,100	900	-	9,000	9,000
Professional fees	-	4,000	-	4,000	-
Insurance	529	2,354	59	2,942	3,220
Employee training and resources	924	135	-	1,059	1,062
Dues and subscriptions	872	128	-	1,000	330
Depreciation and amortization	718	192	48	958	1,664
Technology services	480	70	-	550	319
Postage and shipping	243	36	-	279	9
Telephone	248	28	-	276	312
Office and computer supplies	85	9	-	94	308
Miscellaneous	-	51	-	51	220
Travel and meals	-	-	-	-	400
Total Other Expenses	34,243	7,903	107	42,253	36,271
TOTAL EXPENSES	\$ 129,346	\$ 21,852	\$ 107	\$ 151,305	\$ 139,008

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# WALL WATCHERS

## Statement of Cash Flows

Year Ended June 30, 2008, with prior year comparative totals

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	Year Ended June 30,	
	2008	2007
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 3,458	\$ 32,482
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	958	1,664
Realized and unrealized (gain) loss on investments	892	(747)
(Increase) decrease in operating assets:		
Receivables	163	(163)
Prepaid expenses	5	991
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	63	989
Net Cash Flows from Operating Activities	<u>5,539</u>	<u>35,216</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from loans payable	-	500
Repayment of debt	-	(34,000)
Net Cash Flows from Financing Activities	<u>-</u>	<u>(33,500)</u>
CHANGE IN CASH	5,539	1,716
CASH AND EQUIVALENTS, BEGINNING	<u>7,764</u>	<u>6,048</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 13,303</u>	<u>\$ 7,764</u>

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# WALL WATCHERS

*Notes to Financial Statements*

*June 30, 2008*

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## NOTE 1 - SUMMARY OF OPERATIONS

### Operations

Wall Watchers, a North Carolina not-for-profit corporation, established in July, 1998 is an independent donor advocate facilitating the information needs of donors. Wall Watchers seeks to provide truth of stewardship for donors and to help donors obtain accurate, detailed information about Christian ministries in the Christian Ministry Marketplace. During the fiscal year ended June 30, 2008, Wall Watchers continued to carry out this mission by providing nonprofit due diligence research and key leadership information on organizations totaling more than 14 billion dollars in revenue. In addition to maintaining three websites, a proprietary database of more than 3,000 tax-exempt entities, 500 of which were profiled as a free service to the public.

Wall Watchers currently operates four 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 and reports on nonprofit public charities, church and parachurch ministries. These profiles contain descriptions, organization details, summarized financial information, 5 Star Financial Efficiency 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.

Individually Tailored Research – Wall Watchers provides an on call research service that researches issues and subjects brought to their attention through complaints of other ministries, media attention, ministries requesting advice in performing with best practices, various governmental entities seeking information. The research is provided by a variety of people in various capacities and the results generally remain confidential.

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# WALL WATCHERS

*Notes to Financial Statements*

*June 30, 2008*

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## NOTE 1 - SUMMARY OF OPERATIONS, continued

Knowledge Management (KM) – Wall Watchers’ Knowledge Management program supports its stakeholders with a collection of knowledge-sharing tools, resources, research, analytics, and content development services. This Knowledge Management process helps organize, identify, classify, create, represent and distribute evaluated information. It is the synthesis of abstract information (or tacit knowledge) and attempting to see that it represents the realities and truth (explicit knowledge) in order to help donors. Wall Watchers KM is a system to make meaning of the overabundance of information that requires coordination and identification of strategic priorities that justify additional knowledge generation within various knowledge subsets. Part of this process involves understanding stakeholder needs and issues to address, assuring availability, access and quality of content and expertise to help as needed. As this information is shared, efficiencies are gained that have a return on investment for the organization’s knowledge assets. Managing the knowledge needs and requests for various stakeholders ensures content standards can be ensured and improved for the user experience so that the knowledge gateway is valued as a tool for making decisions. This is a practical application and outgrowth of the philosophy of Epistemology. In particular, a practical epistemology examination and application of donor needs.

### Funding sources

Activities of Wall Watchers are financed by contributions from other organizations and individuals.

## 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, 2008, Wall Watchers had no permanently restricted net assets and no remaining temporarily restricted net assets.

### 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.

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# WALL WATCHERS

*Notes to Financial Statements*

*June 30, 2008*

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

### Property

Property consists of office furniture, equipment, and computers and is recorded at cost if purchased or fair value if donated, subject to a \$500 capitalization policy. 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.

### 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.

### Prior year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Wall Watchers' 2007 financial statements, from which the summarized information was derived.

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# WALL WATCHERS

## Notes to Financial Statements

June 30, 2008

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### NOTE 3 - INVESTMENTS

#### Balance at year-end

Investments are reported at fair market value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Marketable securities as of June 30, 2008 consisted of investments in publicly traded common stocks.

#### Investment income

Investment activity for the years ended June 30, 2008 and 2007, was as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 14	\$ 28
Realized and unrealized gains (losses)	<u>(890)</u>	<u>747</u>
TOTAL	<u>\$ (876)</u>	<u>\$ 775</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2008 and 2007, was composed of the following:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 8,135	\$ 8,135
Computers	<u>9,663</u>	<u>9,663</u>
Total Property and Equipment	17,798	17,798
Less - accumulated depreciation and amortization	<u>17,535</u>	<u>16,577</u>
TOTAL	<u>\$ 263</u>	<u>\$ 1,221</u>

### 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 the year ended June 30, 2008. The annual use of this space has been valued at \$9,000, 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 78 percent of its cash support from its three largest donors during the year ended June 30, 2008, which represents a significant concentration of risk.