THE CHOSEN VISION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

AND

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Chosen Vision, Inc.
Grand Ledge, Michigan

We have audited the accompanying statement of financial position of THE CHOSEN VISION, INC. as of December 31, 2003, and the related statement of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 aforementioned financial statements present fairly the financial position of The Chosen Vision, Inc. at December 31, 2003, and the results of its activities and changes in net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The primary purpose of our examination was to formulate an opinion on the basic financial statements taken as a whole. The additional information presented on pages 10-11 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination 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.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 25, 2004

THE CHOSEN VISION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2003

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	27,714
Accounts receivable		4,709
TOTAL CURRENT ASSETS		32,423
PROPERTY AND EQUIPMENT		
Chosen View Home		302,000
Equipment		3,450
Vehicles		16,448
Furniture		6,801
Less: accumulated depreciation		(25,565)
NET PROPERTY AND EQUIPMENT		303,134
	$	335,557

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	641
Accrued payroll and related expenses		12,280
Unearned income		1,987
Current-land contract payable		4,391
TOTAL CURRENT LIABILITIES		19,299
LONG-TERM LIABILITIES		
Land contract payable		182,061
NET ASSETS		
Unrestricted		134,197
	$	335,557

See accompanying notes to financial statements.

THE CHOSEN VISION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES	
Donations	$ 166,972
Resident income	110,116
Annual banquet	10,031
Other income	1,400
Investment income	295
TOTAL REVENUES	288,814
EXPENSES	
Agency van	2,929
Facility, furnishings and grounds	12,740
Food, household supplies, misc.	16,930
Office operations	24,014
Program and activities	1,565
Payroll and human resources	166,653
Resident personal allowance	3,416
Interest expense	17,067
Depreciation expense	15,719
TOTAL EXPENSES	261,033
CHANGE IN NET ASSETS	27,781
NET ASSETS, JANUARY 1	106,416
NET ASSETS, DECEMBER 31	$ 134,197

See accompanying notes to financial statements.

THE CHOSEN VISION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 27,781
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	15,719
(Increase) decrease in assets	
Accounts receivable	3,212
Increase (decrease) in liablilities	
Accounts payable	(2,248)
Accrued payroll and related expenses	3,412
Unearned income	1,435
Other accrued expenses	(2,054)
NET CASH PROVIDED BY OPERATING ACTIVITIES	47,257
CASH FLOWS FROM FINANCING ACTIVITIES	
Land contract principal payments	(54,952)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,695)
CASH AND CASH EQUIVALENTS, JANUARY 1	35,409
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 27,714
Interest paid	$ 17,067

See accompanying notes to financial statements.

THE CHOSEN VISION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE 1: NATURE OF ACTIVITIES

The Chosen Vision, Inc. (the Organization) is a not-for-profit organization incorporated in 1991. Its stated purpose is to provide housing, care, and related services for persons with disabilities. The founders of the Organization were interested in establishing a group home for developmentally disabled adults that would meet their social and emotional needs and be distinctively Christian. The Chosen View home was opened in 2002, and is a barrier-free six bed home located on two acres of scenic countryside with a view of the Grand River, northeast of Grand Ledge.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Organization 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.

* Unrestricted net assets represent the resources available for use in carrying on the operations of the Organization. The unrestricted portion is under the discretionary control of the Board of Directors, and it is against this fund that all expenditures for current operations are charged.
* The temporarily restricted net assets represent contributions and other income that has been received, but are temporarily restricted for the future activities.
* The permanently restricted net assets represent donor and board stipulated instruments that are to be maintained, with only the income from the instruments expended.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Concluded

Investments

The Organization follows SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

The Organization records its receivables at their net realizable value.

Property and Equipment

Depreciation of equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Income Tax Status

The Chosen Vision, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is not classified as a private foundation by the Internal Revenue Service.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred.

NOTE 3: PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	LIFE	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	DEPRECIATION EXPENSE
DECEMBER 31, 2003					
Home	30 years	$ 302,000	$ 14,261	$ 287,739	$ 10,067
Equipment	5 years	3,450	1,380	2,070	690
Vehicle	4 years	16,448	8,224	8,224	4,112
Furniture	8 years	6,801	1,700	5,101	850
TOTAL		$ 328,699	$ 25,565	$ 303,134	$ 15,719

NOTE 4: COMMITMENTS AND CONTINGENCIES

The Chosen Vision, Inc. receives a substantial amount of its support from independent funding sources. A significant reduction in the level of this support, if this were to occur, could have an effect on the Organization's ability to continue its programs.

NOTE 5: CASH AND CASH EQUIVALENTS

Deposits with financial institutions are as follows:

ACCOUNT TYPE	BOOK BALANCE	BANK BALANCE	FDIC\SPIC INSURED
DECEMBER 31, 2003			
Checking	$ 22,299	$ 33,942	$ 33,942
Mutual fund savings	5,390	5,390	5,390
Petty cash	25		
	$ 27,714	$ 39,332	$ 39,332

NOTE 6: LAND CONTRACT PAYABLE

The Chosen Vision, Inc. has a twenty year land contract to purchase the Chosen View Home. The land contract payable is due in monthly installments of $1,552 including interest at 7.5%. The interest rate is established annually on September 1 at prime plus 3.25%, not to exceed 8.5%, or go below 7.5%. The land contract is secured by the Chosen View Home, and is subordinated to the bank mortgage of the seller. $ 186,452

NOTE 6: **LAND CONTRACT PAYABLE** - Concluded

Future maturities of the land contract are as follows:

YEAR ENDED	AMOUNT
December 31, 2004	$ 4,391
December 31, 2005	5,146
December 31, 2006	5,545
December 31, 2007	5,976
December 31, 2008	6,440
Thereafter	158,954
	$ 186,452

SUPPLEMENTARY INFORMATION

THE CHOSEN VISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2003

AGENCY VAN		
Gasoline	$	2,210
Maintenance and repairs		617
License tag renewal		102
	$	2,929
FACILITY, FURNINSHINGS AND GROUNDS		
Cablevision	$	652
Facility insurance		2,673
Facility maintenance		3,334
Grounds maintenance		675
Miscellaneous		214
Trash removal		409
Utilities		3,653
Equipment repair		95
Water supply and treatment		1,035
	$	12,740
FOOD, HOUSEHOLD SUPPLIES, MISC.		
Food supplies	$	1,989
Groceries		9,688
Household supplies		2,864
Miscellaneous		2,389
	$	16,930
OFFICE OPERATIONS		
Advertising	$	91
Bank and investment fees		291
Internet services		553
Office equipment maintenance		212
Postage and mailings		587
Printing		1,861
Telephone		3,046
Office supplies		1,264
Travel		676
Memberships		488
License fees		10
Miscellaneous		312
Accounting		1,493
Fund raising banquet and auction		3,537
Liability insurance		3,500
Marketing		41
Insurance-general		6,052
	$	24,014

THE CHOSEN VISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES - Concluded

FOR THE YEAR ENDED DECEMBER 31, 2003

PROGRAM AND ACTIVITIES		
Activity supplies	$	182
Christmas season		46
Special outings and trips		1,027
Meals out		185
Subscriptions		125
	$	1,565
PAYROLL AND HUMAN RESOURCES		
Payroll taxes	$	11,009
Health insurance		16,295
Miscellaneous		139
Salaries and wages		134,945
Unemployement		1,417
Workers' compensation		1,641
Health screening exams		108
Staff development		495
Staff recognition		604
	$	166,653
RESIDENT PERSONAL ALLOWANCE		
Amy R.	$	528
Cathy K.		528
Valerie B.		628
Holly T.		768
Debbie P.		748
Susan S.		128
Katerine B.		88
	$	3,416
INTEREST EXPENSE		
Interest expense	$	17,067
DEPRECIATION EXPENSE		
Depreciation expense	$	15,719