

## **PARABLE FRANCHISING, LLC**

### **EXHIBIT A**

### **FINANCIAL STATEMENTS**

**The interim financial statements included in this Exhibit have been prepared without audit. Prospective franchisees are advised that no independent Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form.**

**Parable Franchising. LLC**  
**Balance Sheet**  
**As of August 31, 2005**

Assets	Balance
Cash	96,431.84
Accounts Receivable	56,402.46
Inventory	<u>5,652.60</u>
Total Assets	<u>158,486.90</u>
Liabilities	
Accounts Payable	2061.28
Accrued Payables	8,680.20
Sales Tax Payable	<u>13.02</u>
Total Liabilities	<u>10,754.50</u>
Equity	
Capital Contribution - Parable Holdings	90128.17
Retained Earnings	-141,539.45
Parable Franchising A Member Equity	129,640.00
Parable Franchising B Member Equity	<u>101,860.00</u>
Total Shareholder's Equity	<u>180,088.72</u>
Year To Date Net Income	<u>-32,356.32</u>
Total Equity	<u>147,732.40</u>
Total Liabilities and Equity	<u>158,486.90</u>

**Parable Franchising LLC**  
**Income Statement**  
**Year To Date August 31, 2005**

Sales		YTD Postings
	Promotions/Mailing	123,495.32
	Freight	80,472.64
	Graphic Design	550
	Exclusive Products	15,213.40
	Bags/Wrap	7,606.95
	Advertising Revenue Share	386,543.00
	Sales Discounts	<u>24.75</u>
Cost Of Good Sold		
	Total Sales	<u>613,906.06</u>
	Promotions/Mailing	102,998.48
	Freight	79,651.89
	Exclusive Products	2,791.98
	Bags/Wrap	4,181.10
	Internet Training	<u>5,700.00</u>
	Total Cost Of Goods Sold	<u>195,323.45</u>
	Gross Margin	418,582.61
Expenses		
	Administrative	20,050.52
	Payroll	106,667.36
	Insurance	16,112.68
	Utilities	2,069.08
	Conventions and Boards	111,732.89
	Travel	18,354.67
	Profession Fees	34,097.19
	Advertising	43,619.81
	General	<u>4,359.79</u>
	Total Expenses	<u>357,063.99</u>
	Net Income From Operations	<u>61,518.62</u>
Other Income & Expense		
	Finance Charges	295.27
	Management Fee Income - Brand Marketing	500.26
	Management Fee Expense - Holdings	-94,150.40
	Depreciation Expense	<u>-520.07</u>
	Total Other Income	<u>-93,874.94</u>
	Net Income After Taxes	<u>-32,356.32</u>

**Parable Franchising LLC  
Statement of Cash Flows  
Year To Date August 31, 2005**

Cash Flow From Operating Activities

Net Income	<u>-32,356.32</u>
Adjustments	
Change in Accounts Receivable	-56,002.46
Change in Inventory	-739.05
Change in Payables	-6,088.65
Change in Accrued Items	-489.46
Net Cash Provided By Operating Activities	<u>-63,319.62</u>

Cash Flow From Financing Activities

Capital Contribution	90,128.17
Net Cash From Financing Activities	<u>90,128.17</u>
Net Increase/Decrease In Cash And Equivalents	<u>-5,547.77</u>
Cash and Equivalents January 1, 2005	<u>101,979.61</u>
Cash and Equivalents August 31, 2005	<u>96,431.84</u>

Directors:  
David A. Bryson, CPA  
Gary A. Wintermeyer, CPA  
Bradford M. Hair, CPA  
Jeanne A. Potter, CPA  
Daniel J. O'Hare, CPA  
Kathi Niffenegger, CPA  
Fred W. Bogart, CPA  
Allen E. Eschenbach, CPA  
Michael T. Glauzel, CPA  
R. Lance Cowart, CPA



Directors Emeritus:  
Fred L. Glenn  
Stephen A. Burdette  
David W. Phillips, CPA

CERTIFIED PUBLIC ACCOUNTANTS  
TAX AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Parable Franchising, LLC  
San Luis Obispo, CA 93401

We have audited the accompanying balance sheet of Parable Franchising, LLC as of December 31, 2004, and the related statements of income and retained earnings (deficit), and cash flows for the period July 19, 2004 through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Parable Franchising, LLC at December 31, 2004, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Glenn, Burdette, Phillips & Bryson  
Certified Public Accountants  
A Professional Corporation

January 31, 2005

PARABLE FRANCHISING, LLC  
BALANCE SHEET  
DECEMBER 31, 2004

ASSETS

<u>Current Assets</u>	
Cash	\$ 101,980
Accounts receivable	400
Inventory	4,913
Total current assets	<u>107,293</u>
Total Assets	<u>\$ 107,293</u>

LIABILITIES AND MEMBERS' EQUITY

<u>Current Liabilities</u>	
Accounts payable	\$ 8,163
Accrued liabilities	9,170
Total current liabilities	<u>17,333</u>
<u>Members' Equity</u>	
Members' equity	231,500
Retained earnings (deficit)	(141,540)
Total members' equity	<u>89,960</u>
Total Liabilities and Members' Equity	<u>\$ 107,293</u>

The accompanying notes are an integral part of this financial statement.

PARABLE FRANCHISING, LLC  
STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)  
PERIOD ENDING DECEMBER 31, 2004

	<u>Amount</u>
<u>Operating Expenses</u>	<u>\$ 140,740</u>
<u>Loss from Operations</u>	<u>(140,740)</u>
<u>Net Loss Before Provision for Income Taxes</u>	<u>(140,740)</u>
<u>Provision for Income Taxes</u>	<u>800</u>
<u>Net Income (Loss)</u>	<u>(141,540)</u>
<u>Retained Earnings - Beginning of Period - July 19, 2004</u>	<u>-</u>
<u>Retained Earnings (Deficit) - End of Period - December 31, 2004</u>	<u>\$ (141,540)</u>

The accompanying notes are an integral part of this financial statement.

PARABLE FRANCHISING, LLC  
STATEMENT OF CASH FLOWS  
PERIOD ENDING DECEMBER 31, 2004

Cash Flows From Operating Activities

Net loss		\$ (141,540)
Adjustments to reconcile net income to net cash used in operating activities:		
Adjustments:		
Increase in accounts receivable	\$ (400)	
Increase in inventory	(4,913)	
Increase in accounts payable	8,163	
Increase in accrued liabilities	9,170	
Total adjustments	<u>12,020</u>	
Net cash used in operating activities		<u>(129,520)</u>

Cash Flows From Financing Activities

Contribution of capital	<u>131,500</u>	
Net cash provided by financing activities		<u>131,500</u>
Net increase in cash		1,980
<u>Cash at Beginning of Period - July 19, 2004</u>		<u>100,000</u>
<u>Cash at End of Period - December 31, 2004</u>		<u>\$ 101,980</u>

Supplemental Disclosures

Payments for interest	\$ -
Payments for income taxes	\$ 800

The accompanying notes are an integral part of this financial statement.



PARABLE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

Note 1 - Summary of Significant Accounting Policies

A. Nature of Operations

The Company is organized as a California limited liability corporation. The Company was formed on July 13, 2004. The primary nature and purposes of the business to be conducted are to develop, market, own, sell, and administer franchises for Christian retail stores throughout the United States and Canada.

During the period ended December 31, 2004, the company was engaged in activities required in preparation for offering franchises to the public. No franchise revenues or associated cost of sales were recognized during this period, as the company had not yet signed any franchisees. The company began signing franchisees in January of 2005.

The Company exists as a California Limited Liability Company (LLC), and its owners have limited personal liability for the obligations or debts of the entity. Two classes of members' interest exist, and the entity's life is infinite.

B. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market, and consists entirely of finished goods.

C. Income Taxes

The Company has been formed as a Limited Liability Company with taxation treatment as a partnership. As such, income or losses will be passed through the Company to its members for purposes of income taxation. Under current California law, a Limited Liability Company (LLC) is subject to an annual \$800 LLC tax as well as an LLC fee based on gross receipts. There was no LLC fee for the period ending 2004.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments with a maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2004.

E. Concentrations of Credit Risk

Cash on deposit at financial institutions exceeded the federally insured limit of \$100,000. At December 31, 2004, cash on deposit in excess of the limit was \$1,890.

PARABLE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
PAGE 2

Note 1 - Summary of Significant Accounting Policies

F. Allowance for Doubtful Accounts

The Company uses the allowance method of accounting for bad debt expense. The allowance for doubtful accounts represents management's best estimate of probable losses inherent in the account receivable balance. Management determines the allowance based on known troubled accounts, historical experience and other available existing information. No allowance for doubtful accounts has been recorded since all accounts were deemed collectible at December 31, 2004.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Revenue and Cost Recognition

The Company's revenue is recognized on the accrual basis as earned. Expenditures are recorded on the accrual basis whereby expenses are recorded when incurred, rather than when paid.

I. Member's Equity

Member's equity consists of two equity accounts set up for Member A and Member B. Parable Holdings contributed \$231,500 as follows: \$129,640 for Member A equity and \$101,860 for Member B.

J. Advertising

The Company follows the policy of charging the costs of advertising as incurred. Advertising expense was \$3,297, for the period ending December 31, 2004.

Note 2 - Related Party Transactions

It is anticipated that Parable Franchising, LLC will buy promotions and mailing services for its franchisees from The Parable Group, Inc. In addition, franchisees will be required to have a web site, which is developed and hosted by Parable Interactive, LLC.

At December 31, 2004, the Company had \$344 in accounts payable due to The Parable Group. As the Company's activity increases, The Parable Group will charge the Company a management fee. No such fee was charged to the Company for the period ending December 31, 2004.