# DESIRING GOD

## FINANCIAL STATEMENTS

## YEARS ENDED JUNE 30, 2016 AND 2015

**DESIRING GOD**
**TABLE OF CONTENTS**
**YEARS ENDED JUNE 30, 2016 AND 2015**

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Desiring God
Minneapolis, Minnesota

## Report on the Financial Statements

We have audited the accompanying financial statements of Desiring God, which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Desiring God

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desiring God as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
December 6, 2016

# DESIRING GOD
# BALANCE SHEETS
# JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 3,113,777 | $ 1,834,898 |
| Accounts Receivable | 2,512 | 2,590 |
| Other Receivables | 287 | 240 |
| Prepaid Expenses | 28,637 | 48,640 |
| Total Current Assets | 3,145,213 | 1,886,368 |
| **PROPERTY AND EQUIPMENT** | | |
| Leasehold Improvements | 360,870 | 360,870 |
| Furnishings and Equipment | 162,948 | 147,685 |
| Total Leasehold Improvements and Equipment | 523,818 | 508,555 |
| Less: Accumulated Depreciation | (247,654) | (196,429) |
| Total Property and Equipment | 276,164 | 312,126 |
| **OTHER ASSETS** | | |
| Assets: Previously Controlled Entity | - | 143,146 |
| Total Assets | $ 3,421,377 | $ 2,341,640 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 92,213 | $ 60,557 |
| Accrued Expenses | 155,943 | 219,093 |
| Deferred Revenue | 24,449 | - |
| Liabilities: Previously Controlled Entity | - | 76,329 |
| Total Liabilities | 272,605 | 355,979 |
| **NET ASSETS** | | |
| Unrestricted - Undesignated | 522,608 | 256,718 |
| Unrestricted - Board Designated | 2,350,000 | 1,350,000 |
| Unrestricted - Property and Equipment | 276,164 | 312,126 |
| Unrestricted Net Assets - Previously Controlled Entity | - | 66,817 |
| Total Unrestricted Net Assets | 3,148,772 | 1,985,661 |
| Total Liabilities and Net Assets | $ 3,421,377 | $ 2,341,640 |

*See accompanying Notes to Financial Statements.*

# DESIRING GOD
## STATEMENTS OF ACTIVITIES
## YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | Percentage | 2015 | Percentage |
|---|---|---|---|---|
| **SUPPORT AND REVENUE** | | | | |
| Contributions | $ 4,719,000 | 93.8 % | $ 3,478,442 | 82.0 % |
| Grants and Honoraria | 253,795 | 5.0 | 232,500 | 5.5 |
| Product Sales | 58,270 | 1.2 | 44,669 | 1.1 |
| Bookstore Revenue | - | - | 23,112 | 0.5 |
| Conference Revenue | - | - | 464,455 | 10.9 |
| Total Support and Revenue | 5,031,065 | 100.0 | 4,243,178 | 100.0 |
| **EXPENSES** | | | | |
| Program Expenses | 2,725,177 | 71.7 | 2,582,483 | 76.9 |
| Support Expenses: | | | | |
| General and Administrative Expenses | 462,072 | 12.2 | 414,012 | 12.3 |
| Fundraising Expenses | 613,888 | 16.2 | 359,754 | 10.7 |
| Total Support Expenses | 1,075,960 | 28.3 | 773,766 | 23.1 |
| Total Expenses | 3,801,137 | 100.0 | 3,356,249 | 100.0 |
| **CHANGE IN NET ASSETS OF PREVIOUSLY CONTROLLED ENTITY** | - | | 18,092 | |
| **CHANGE IN NET ASSETS** | 1,229,928 | | 886,929 | |
| Net Assets - Beginning of Year | 1,985,661 | | 1,080,640 | |
| Less: Net Assets of Previously Controlled Entity | (66,817) | | - | |
| Beginning Net Assets - Adjusted | 1,918,844 | | 1,080,640 | |
| **NET ASSETS - END OF YEAR** | $ 3,148,772 | | $ 1,985,661 | |

*See accompanying Notes to Financial Statements.*

# DESIRING GOD
# STATEMENTS OF CASH FLOWS
# YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 1,229,928 | $ 886,929 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 51,224 | 56,378 |
| (Increase) Decrease in Current Assets: | | |
| Accounts and Other Receivables | 78 | (3,373) |
| Prepaid Expenses | 20,003 | 1,649 |
| Inventory | - | (425) |
| Increase (Decrease) in Current Liabilities: | | |
| Accounts Payable | 31,656 | (25,077) |
| Accrued Expenses | (63,150) | (42,841) |
| Deferred Revenue | 24,449 | (248,555) |
| Net Cash Provided by Operating Activities | 1,294,188 | 624,685 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments Received on Note Receivable | (47) | 1,679 |
| Purchase of Property and Equipment | (15,262) | - |
| Net Cash Provided (Used) by Investing Activities | (15,309) | 1,679 |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | 1,278,879 | 644,456 |
| Cash and Cash Equivalents - Beginning of Year | 1,925,201 | 1,280,745 |
| Less: Cash Transfer to Previously Controlled Entity - Beginning of Year | (90,303) | - |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 3,113,777 | $ 1,925,201 |
| **Cash Held in Assets - Previously Controlled Entity** | $ - | $ 90,303 |
| **Cash Held by DG** | 3,113,777 | 1,834,898 |
| Total Cash | $ 3,113,777 | $ 1,925,201 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Nature of Business

The mission of Desiring God is to help people everywhere understand and embrace the truth that God is most glorified in us when we are most satisfied in him. The core strategy of Desiring God is to corral, curate, and freely spread John Piper content through a maximally useful website. This consists of items such as audio and video sermons, blog, books, e-books, and apps.

### Financial Statement Presentation

Net assets and revenues, gains, and losses of the Organization are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization does not currently have any temporarily restricted net assets.

### Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less. The Organization deposits its temporary cash investments in high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

### Accounts and Other Receivables

Receivables are stated at realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are sold on an unsecured basis. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the written allowance. At June 30, 2016 and 2015, all amounts were considered collectible and no allowance was deemed necessary.

### Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Property and equipment expenditures over $5,000 are capitalized. Depreciation of property and equipment is computed using the straight-line method over the estimated useful asset lives (shorter of asset life or lease term for leasehold improvements). Depreciation expense for the years ended June 30, 2016 and 2015 was $51,224 and $56,378, respectively.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deferred Revenue

Payments received by the Organization for work to be performed in future periods are deferred and subsequently recognized as revenue in the year for which the payment applies.

### Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 6, 2016, the date the financial statements were available to be issued.

## NOTE 2 TAX EXEMPT STATUS

The Organization qualifies as a tax-exempt organization described in Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, it is subject to federal and state income taxes on net unrelated business income.

The Organization adopted the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of the standards implementation.

## NOTE 3 LEASES

In June 2013, Desiring God entered into a new lease agreement which terminates on October 31, 2020. Rent expense for the years ended June 30, 2016 and 2015 was $101,192 and $120,517, respectively.

## NOTE 3 LEASES (CONTINUED)

The following is the future minimum lease payment schedule for the leases noted above:

| Year Ending December 31, | | Amount |
|---|---|---|
| 2017 | $ | 70,398 |
| 2018 | | 69,588 |
| 2019 | | 69,848 |
| 2020 | | 71,218 |
| 2021 | | 25,040 |
| Total | $ | 306,092 |

## NOTE 4 COMMITMENTS

In 2014, the Organization agreed to severance payments totaling $125,000 to be paid in future years. During the years ended June 30, 2016 and 2015, $92,000 and $33,000 of payments were made, respectively, with a remaining liability of $-0- as of June 20, 2016.

## NOTE 5 PENSION PLAN

The Organization has a 401(k) plan that covers substantially all employees. Employees participate in the plan if they have one year of service and work at least 500 hours per year. The Organization matches up to 4% of employee's annual gross salary. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled $50,129 and $47,619 for the years ended June 30, 2016 and 2015.

## NOTE 6 RELATED PARTIES

In 2001, the Piper family formed the Desiring God Foundation. This Organization is a 501(c)(3) – Private Foundation and has no legal connection with Desiring God Ministries. The Foundation's assets include the rights to receive royalties under publishing contracts for books written by John Piper, the Foundation's President. The purpose of the Foundation is to make grants to churches and other Christian ministries. Since its inception, the Foundation has disbursed grants to help fund Desiring God but it is under no charter requirement to do so. Desiring God received grants from Desiring God Foundation in the amount of $225,000 and $200,000 during the years ended June 30, 2016 and 2015, respectively.

Desiring God contracted with a nonprofit organization for translation of projects for nearly $32,000. A Desiring God board member is the Founder of the nonprofit that was hired for translation projects.

Subsequent to year-end, the board of directors of Desiring God approved a $70,000 unrestricted grant to Children's Desiring God.

## NOTE 7 LINE OF CREDIT

In 2011, the Organization entered into a line of credit agreement with Wells Fargo Bank. The line of credit is unsecured and provides for short-term borrowing up to $100,000 at a variable interest rate of prime plus 6.75%. The agreement automatically renews each year until terminated by the Organization. There were no outstanding balances due on this line of credit as of June 30, 2016 and 2015.

## NOTE 8 TRANSFER OF NET ASSETS OF PREVIOUSLY CONTROLLED ENTITY

Effective February 25, 2015, Children Desiring God received their 501(c)(3) status from the IRS. As of July 1, 2015, Desiring God relinquished control of Children Desiring God and they became an independent organization.

Assets – previously controlled entity as of June 30, 2015 include the following:

| | | |
|---|---|---|
| Cash and Cash Equivalents | $ | 90,303 |
| Accounts Receivable | | 1,969 |
| Other Receivables | | 395 |
| Prepaid Expenses | | 5,075 |
| Inventory | | 30,967 |
| Property and Equipment (Net) | | 14,437 |
| Total Assets | $ | 143,146 |

Liabilities – previously controlled entity as of June 30, 2015 include the following:

| | | |
|---|---|---|
| Accounts Payable | $ | 65,346 |
| Accrued Expenses | | 10,983 |
| Total Liabilities | $ | 76,329 |

## NOTE 8 TRANSFER OF NET ASSETS OF PREVIOUSLY CONTROLLED ENTITY (CONTINUED)

The change in net assets of the previously controlled entity for the year ended June 30, 2015 include the following:

| | 2015 | | |
|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total |
| **SUPPORT AND REVENUE** | | | |
| Contributions | $ 48,318 | $ - | $ 48,318 |
| Product Sales | 1,083,689 | - | 1,083,689 |
| Conference Revenue | 31,021 | - | 31,021 |
| Interest Income | 84 | - | 84 |
| Total Support and Revenue | 1,163,112 | - | 1,163,112 |
| **EXPENSES** | | | |
| Program Expenses | 845,937 | - | 845,937 |
| Support Expenses: | | | |
| General and Administrative Expense | 293,639 | - | 293,639 |
| Fundraising Expense | 5,444 | - | 5,444 |
| Total Support Expenses | 299,083 | - | 299,083 |
| Total Expenses | 1,145,020 | - | 1,145,020 |
| **CHANGE IN NET ASSETS** | 18,092 | - | 18,092 |
| Net Assets - Beginning of Year | 48,725 | - | 48,725 |
| **NET ASSETS - END OF YEAR** | $ 66,817 | $ - | $ 66,817 |