Financial statements of:

DESIRING GOD MINISTRIES

Years ended
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Desiring God Ministries
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Desiring God Ministries, which comprise the balance sheets as of June 30, 2019 and 2018, the related statements of activities and changes in net assets and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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.

Auditor's 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 that we plan and perform the audit 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 auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desiring God Ministries as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2019 and has been reflected in the presentation of these consolidated financial statements. The ASU has been applied retrospectively to all periods presented. The ASU did not result in changes in net assets or between net assets with donor restrictions and net assets without donor restrictions.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

November 12, 2019

BALANCE SHEETS
DESIRING GOD MINISTRIES JUNE 30

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	**$ 777,172**	$ 4,399,241
Investments	**3,778,362**	-
Accounts receivable	**28**	3,840
Prepaid expenses	**137,466**	119,914
Total current assets	**4,693,028**	4,522,995
Property and equipment:		
Leasehold improvements	**373,522**	373,522
Furnishings and equipment	**93,439**	93,439
	466,961	466,961
Less accumulated depreciation	**394,845**	289,764
	72,116	177,197
	$ 4,765,144	$ 4,700,192
Liabilities:		
Current liabilities:		
Accounts payable	**$ 196,277**	$ 175,785
Accrued expenses	**187,516**	205,880
Deferred revenue	**9,274**	14,332
Total current liabilities	**393,067**	395,997
Net assets without donor restrictions:		
Undesignated	**299,961**	126,998
Board designated	**4,000,000**	4,000,000
Property and equipment	**72,116**	177,197
Total net assets	**4,372,077**	4,304,195
Total liabilities and net assets	**$ 4,765,144**	$ 4,700,192

See notes to financial statements.

DESIRING GOD MINISTRIES

	2019		2018	
	Amount	**Percentage**	Amount	Percentage
Support and revenue:				
Contributions	**$ 6,427,059**	**98.0**	$ 7,102,445	98.9
Investment income	**78,362**	**1.2**	-	-
Other revenue	**52,953**	**0.8**	79,532	1.1
Total revenue	**6,558,374**	**100.0**	7,181,977	100.0
Expenses:				
Program expenses	**4,947,061**	**76.2**	4,517,517	75.0
Support expenses:				
Fundraising	**583,104**	**9.0**	857,582	14.2
Management	**960,327**	**14.8**	650,311	10.8
Total expenses	**6,490,492**	**100.0**	6,025,410	100.0
Change in net assets without donor restricitons	**67,882**		1,156,567	
Net assets without donor restrictions, beginning	**4,304,195**		3,147,628	
Net assets without donor restrictions, ending	**$ 4,372,077**		$ 4,304,195	

DESIRING GOD MINISTRIES

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 67,882**	$ 1,156,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**105,081**	56,126
(Increase) decrease in current assets:		
Accounts and other receivables	**3,812**	25,505
Prepaid expenses	**(17,552)**	(63,437)
Incease (decrease) in current liabilities:		
Accounts payable	**20,492**	(1,521)
Accrued expenses	**(18,364)**	39,627
Deferred revenue	**(5,058)**	(5,059)
Net cash provided by operating activities	**156,293**	1,207,808
Cash flows from investing activities:		
Purchase of investments	**(6,674,044)**	
Sale/redemptions of investments	**2,895,682**	
Net cash used in investing activities	**(3,778,362)**	
Net change in cash and cash equivalents	**(3,622,069)**	1,207,808
Cash and cash equivalents, beginning	**4,399,241**	3,191,433
Cash and cash equivalents, ending	**$ 777,172**	$ 4,399,241

See notes to financial statements.

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	Program services				
	Teaching	Product	Spreading	Ministry Partners	Total program services
Salaries	$ 719,323	$ 696,900	$ 101,235	$ 98,975	$ 1,616,433
Payroll Taxes and Benefits	271,256	280,237	49,848	38,323	639,664
Contract Services	206,597	910,047	487,055	87,027	1,690,726
Outreach Events	-	-	136,901	255,279	392,180
Professional Fees	1,640	1,589	17,625	10,464	31,318
Donated Resources	25,390	-	207,381	1,995	234,766
Supplies and Other	48,309	42,507	6,742	13,719	111,277
Travel	903	41,880	14,237	63,490	120,510
Facilities	48,498	48,359	6,033	7,297	110,187
Total expenses	$ 1,321,916	$ 2,021,519	$ 1,027,057	$ 576,569	$ 4,947,061

Support services			
Fundraising	Management General	Total support services	Total all services
$ 287,245	$ 298,980	$ 586,225	$ 2,202,658
101,278	151,211	252,489	892,153
53,106	48,512	101,618	1,792,344
12,082	-	12,082	404,262
655	218,814	219,469	250,787
402	41,193	41,595	276,361
105,902	54,446	160,348	271,625
4,579	106,948	111,527	232,037
17,855	40,223	58,078	168,265
$ 583,104	$ 960,327	$ 1,543,431	$ 6,490,492

1. Nature of business and significant accounting policies:

Nature of business:

As a faith-based non-profit, the central mission of Desiring God Ministries (the Organization) 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 and primary means by which Desiring God Ministries executes this mission is by the creation and spreading of the new teaching resources from our Teaching Team which consists of items such as audio and video sermons, blog, books, e-books, apps, and website.

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:

Without donor restrictions – 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.

With donor restrictions – 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 net assets with donor restrictions.

Cash and cash equivalents:

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of credit risk:

The Organization deposits its cash in high credit quality financial institutions. At times, such balances may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The Organization has not experienced loss with this practice.

Accounts receivables:

Receivables are stated at realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgement 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, 2019 and 2018, all amounts were considered collectible and no allowance was deemed necessary.

Investments:

Investments in fixed income securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss including realized and unrealized gains and losses on investments, interest and dividends are included in investment earnings included in total support and revenue.

1. Nature of business and significant accounting policies (continued):

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).

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:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses are allocated on a reasonable basis that is consistently applied. Some costs are allocated on the basis of employee time and effort. These include salaries, payroll taxes, some employee benefits and payroll fees. Other costs are allocated on the basis of full-time equivalent numbers. These costs include Insurance, some employee benefits, and occupancy costs.

Fair value measurement:

The financial statements reflect the adoption of Accounting Standards Codification (ASC) 820. ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

1. Nature of business and significant accounting policies (continued):

Fair value measurement (continued):

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities and corporate debt securities that are traded by dealers or brokers in active over-the-counter markets. The Organization does not have any securities that are valued using Level 2 or 3 inputs.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2019 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2019, the date the financial statements were available to be issued.

2. Liquidity:

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	**$ 777,172**	$ 4,399,241
Accounts receivable, trade, net	**28**	3,840
Investments	**3,778,362**	
Financial assets available to meet general expenditures over the next twelve months	**$ 4,555,562**	$ 4,403,081

Organization's goal is generally to maintain financial assets to meet 180 days of expenses. As part of its liquidity plan, excess cash is invested in fixed income securities, including bonds and U.S. treasuries.

3. Investments:

Financial assets that are carried at estimated fair value are categorized based on the inputs to the valuation technique and are as follows as of June 30:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income	**$ 3,778,362**	**$ 0**	**$ 0**	**$ 3,778,362**

4. 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 has evaluated its tax positions for uncertainty and has not recognized a liability related to tax matters nor identified unrecognized tax matters that are required to be disclosed.

5. Leases:

The Organization entered into various leases agreements which terminate on various dates through December 2023. Rent expense for the years ended June 30, 2019 and 2018 was $117,588 and $111,850, respectively.

The following is the future minimum lease payments under leases:

Year ended June 30	Amount
2020	$ 74,398
2021	28,220
2022	3,180
2023	1,855
	$ 107,653

6. 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 employees annual gross salary. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled $74,212 and $63,716 for the years ended June 30, 2019 and 2018, respectively.

7. Related parties:

In 2011, the Piper family formed the Desiring God Foundation (the Foundation). The Foundation is a 501(c)(3) – Private Foundation and has no legal connection with the Organization. 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 the Organization but it is under no charter requirement to do so. The Organization received grants from the Foundation in the amount of $200,000 during the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, the Organization contracted with a nonprofit organization for translation of projects for nearly $20,000 and $36,000, respectively. An Organization board member is the Founder of the nonprofit that was hired for translation projects.

One of the Organization's co-founders was previously on a nonprofit board of directors and therefore the nonprofit was a related party in fiscal year 2018. The Organization had awarded the nonprofit a grant of $10,000 in fiscal year 2018.