

Financial statements of:

DESIRING GOD MINISTRIES

Years ended
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Desiring God Ministries
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Desiring God Ministries, which comprise the balance sheets as of June 30, 2022, and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Desiring God Ministries as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Desiring God Ministries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Desiring God Ministries' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Desiring God Ministries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Desiring God Ministries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Schechter Dokken Kanter
Andrews & Selzer Ltd.*

Minneapolis, MN
November 17, 2022

DESIRING GOD MINISTRIES

BALANCE SHEETS

JUNE 30

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash	\$ 810,664	\$ 747,694
Investments	6,248,512	6,134,765
Accounts receivable	7,650	3,360
Prepaid expenses	<u>112,078</u>	<u>234,856</u>
Total current assets	<u>7,178,904</u>	<u>7,120,675</u>
Property and equipment:		
Leasehold improvements	519,907	516,850
Construction in Process	212,859	-
Furnishings and equipment	<u>163,072</u>	<u>150,156</u>
	895,838	667,006
Less accumulated depreciation	<u>546,393</u>	<u>506,120</u>
	<u>349,445</u>	<u>160,886</u>
Website development	1,508,118	1,157,422
Less accumulated amortization	<u>382,296</u>	<u>115,742</u>
	<u>1,125,822</u>	<u>1,041,680</u>
Total Assets:	<u>\$ 8,654,171</u>	<u>\$ 8,323,241</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 169,091	\$ 237,955
Accrued expenses	248,328	171,791
Deferred revenue	<u>9,361</u>	<u>7,294</u>
Total current liabilities	<u>426,780</u>	<u>417,040</u>
Net assets without donor restrictions:		
Undesignated	2,752,124	2,703,635
Board designated	4,000,000	4,000,000
Property, equipment and website	<u>1,475,267</u>	<u>1,202,566</u>
Total net assets	<u>8,227,391</u>	<u>7,906,201</u>
Total liabilities and net assets	<u>\$ 8,654,171</u>	<u>\$ 8,323,241</u>

See notes to financial statements.

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

DESIRING GOD MINISTRIES

YEARS ENDED JUNE 30

	2022		2021	
	Amount	Percentage	Amount	Percentage
Support and revenue:				
Contributions	\$ 9,506,096	100.2	\$ 9,371,820	99.5
Investment income (loss)	(36,253)	(0.4)	6,009	0.1
Other revenue	20,493	0.2	33,780	0.4
Total revenue	<u>9,490,336</u>	<u>100.0</u>	<u>9,411,609</u>	<u>100.0</u>
Expenses:				
Program expenses	7,212,391	78.7	5,156,519	77.2
Support expenses:				
Fundraising	302,707	3.3	274,682	4.1
Management	1,654,048	18.0	1,248,011	18.7
Total expenses	<u>9,169,146</u>	<u>100.0</u>	<u>6,679,212</u>	<u>100.0</u>
Change in net assets without donor restrictions	321,190		2,732,397	
Net assets without donor restrictions, beginning	<u>7,906,201</u>		<u>5,173,804</u>	
Net assets without donor restrictions, ending	<u>\$ 8,227,391</u>		<u>\$ 7,906,201</u>	

DESIRING GOD MINISTRIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 321,190	\$ 2,732,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	306,827	149,575
(Increase) decrease in current assets:		
Accounts and other receivables	(4,290)	870
Prepaid expenses	122,778	(132,472)
Increase (decrease) in current liabilities:		
Accounts payable	(68,864)	(44,466)
Accrued expenses	76,537	(36,885)
Deferred revenue	2,067	3,079
	<u>756,245</u>	<u>2,672,098</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of:		
Property, equipment and website	(579,528)	(654,812)
Investments	(2,300,000)	(3,156,008)
Sale/redemptions of investments	2,186,253	800,000
	<u>(693,275)</u>	<u>(3,010,820)</u>
Net cash used in investing activities		
Net change in cash	62,970	(338,722)
Cash, beginning	747,694	1,086,416
Cash, ending	<u>\$ 810,664</u>	<u>\$ 747,694</u>

DESIRING GOD MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program services					Support services			Total all services
	Teaching	Product	Spreading	Ministry Partners	Total program services	Fundraising	Management General	Total support services	
Salaries	\$ 880,800	\$ 216,532	\$ 782,202	\$ 572,725	\$ 2,452,259	\$ 80,189	\$ 522,249	\$ 602,438	\$ 3,054,697
Payroll Taxes and Benefits	332,083	101,828	339,154	211,496	984,561	26,476	265,206	291,682	1,276,243
Contract Services	74,209	233,488	932,618	162,144	1,402,459	19,992	307,849	327,841	1,730,300
Marketing	-	-	1,049,075	-	1,049,075	-	-	-	1,049,075
Outreach Events	-	-	6,696	59,175	65,871	-	-	-	65,871
Professional Fees	1,681	413	1,493	1,093	4,680	153	165,955	166,108	170,788
Donated Resources	25,058	29	354,430	-	379,517	-	86,059	86,059	465,576
Supplies and Other	97,495	126,863	275,097	79,385	578,840	172,023	150,563	322,586	901,426
Travel	7,334	2,129	87,396	61,164	158,023	568	64,765	65,333	223,356
Facilities	45,406	14,966	48,635	28,099	137,106	3,306	91,402	94,708	231,814
Total expenses	\$ 1,464,066	\$ 696,248	\$ 3,876,796	\$ 1,175,281	\$ 7,212,391	\$ 302,707	\$ 1,654,048	\$ 1,956,755	\$ 9,169,146

See notes to financial statements.

DESIRING GOD MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program services					Support services			Total all services
	Teaching	Product	Spreading	Ministry Partners	Total program services	Fundraising	Management General	Total support services	
Salaries	\$ 808,285	\$ 213,614	\$ 401,747	\$ 517,175	\$ 1,940,821	\$ 72,197	\$ 431,262	\$ 503,459	\$ 2,444,280
Payroll Taxes and Benefits	304,841	90,764	219,739	192,153	807,497	24,132	166,227	190,359	997,856
Contract Services	75,510	143,168	627,296	117,175	963,149	20,685	312,514	333,199	1,296,348
Marketing	-	-	466,364	-	466,364	-	-	-	466,364
Outreach Events	-	-	-	-	-	-	-	-	-
Professional Fees	1,806	477	898	1,156	4,337	161	76,808	76,969	81,306
Donated Resources	-	-	104,915	-	104,915	-	75,348	75,348	180,263
Supplies and Other	58,380	136,955	195,301	300,742	691,378	153,403	89,906	243,309	934,687
Travel	54	-	15,373	21,060	36,487	358	18,772	19,130	55,617
Facilities	51,820	15,871	42,070	31,810	141,571	3,746	77,174	80,920	222,491
Total expenses	\$ 1,300,696	\$ 600,849	\$ 2,073,703	\$ 1,181,271	\$ 5,156,519	\$ 274,682	\$ 1,248,011	\$ 1,522,693	\$ 6,679,212

1. Nature of business and significant accounting policies:**Nature of business:**

As a faith-based non-profit, the mission of Desiring God Ministries (the Organization) is to move people to live for the glory of God by helping them be satisfied in God above all else, especially in their suffering. The organization produces God-centered, Christian Hedonistic content, and distributes 13,500+ audio, video, written resources over the internet for free to the world through desiringGod.org and partner channels including mobile apps and SAT-TV.

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.

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 any 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, 2022 and 2021, all amounts were considered collectible and no allowance was deemed necessary.

Investments:

Investments 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). Depreciation expense was \$40,293 and \$33,833 for the years ended June 30, 2022 and 2021, respectively.

Website development:

Expenditures for website development are capitalized when both the preliminary project stage is completed and it is probable that the website will be used as intended. Capitalized costs include only external direct costs of materials and services utilized in developing or obtaining computer software. Capitalized software is amortized on a straight-line basis when placed into service over the estimated useful life, which approximates 5 years. Amortization expense was \$266,534 and \$115,742 for the years ended June 30, 2022 and 2021, respectively.

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.

Revenue recognition:

Contributions, including unconditional promises to give, are recognized as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in the net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions reported in the statement of activities as net assets released from restrictions. The Organization did not receive any donor restricted contributions in either year.

Unconditional contribution pledges are recognized as revenues or gains in the period received. Pledges are recognized at the estimated net collectible value based on historical collection trends. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Accounting estimates:

The timely 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. Actual results could differ from those estimates.

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

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.

Advertising costs:

Advertising costs are expensed as incurred.

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.

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.

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

COVID:

On March 10, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures and widespread quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

Reclassifications:

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, the date the financial statements were available to be issued.

2. Liquidity:

The following represents the Organization’s financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 810,664	\$ 747,694
Accounts receivable, trade, net	7,650	3,360
Investments	<u>6,248,512</u>	<u>6,134,765</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,066,826</u>	<u>\$ 6,885,819</u>

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:

	2022			Total
	Level 1	Level 2	Level 3	
Money Market	\$ 100,269			\$ 100,269
Fixed Income	6,148,263			6,148,263
Total	\$ 6,248,532	\$ -	\$ -	\$ 6,248,532

	2021			Total
	Level 1	Level 2	Level 3	
U.S. Treasuries	\$ 555,828			\$ 555,828
U.S. Agencies	349,543			349,543
Bonds	5,229,394			5,229,394
Fixed Income	\$ 6,134,765	\$ -	\$ -	\$ 6,134,765

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 October 2026. Rent expense for the years ended June 30, 2022 and 2021 was \$163,543 and \$128,998, respectively.

The following is the future minimum lease payments under leases:

<u>Year ended June 30</u>	<u>Amount</u>
2023	\$ 90,615
2024	90,999
2025	93,268
2026	<u>39,255</u>
	<u>\$ 314,137</u>

6. Retirement 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 5% of employee's annual gross salary. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$142,650 and \$103,941 for the years ended June 30, 2022 and 2021, respectively.

7. Pending accounting standard:

The Financial Accounting Standards Board (FASB) has issued a new lease accounting standard that has not yet been implemented by the Organization but is expected to impact future financial statements. This lease standard will be effective for the Organization beginning with its year ended June 30, 2023. Under this new standard, the Organization's leases with terms of more than twelve months will be required to be recognized as assets and liabilities. The Organization is currently assessing the impact of this new lease standard on its financial statements.