Financial statements of:

DESIRING GOD MINISTRIES

Years ended
June 30, 2023 and 2022

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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, 2023, and 2022, 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, 2023, and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on July 1, 2022, the Company adopted new accounting guidance, Accounting Standards Update No. 2016-02, Leases (Topic 842). As a result of the adoption of the new lease accounting guidance, lease liabilities and right-of-use assets were recorded on the consolidated balance sheet (see Note 6). Our opinion is not modified with respect to this matter.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

November 21, 2023
Minneapolis, MN

DESIRING GOD MINISTRIES

	2023	2022
Assets:		
Current assets:		
Cash	**$ 850,944**	$ 810,664
Investments	**5,435,242**	6,248,512
Accounts receivable	**10,038**	7,650
Prepaid expenses	**343,103**	112,078
Total current assets	**6,639,327**	7,178,904
Long-term assets:		
Property and equipment, net	**246,573**	349,445
Website development, net	**824,198**	1,125,822
Operating lease right-of-use asset, net	**285,208**	-
Total long-term assets	**1,355,979**	1,475,267
Total assets	**$ 7,995,306**	$ 8,654,171
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 259,653**	$ 169,091
Accrued expenses	**293,276**	248,328
Deferred revenue	**-**	9,361
Operating lease liabilites	**80,936**	-
Total current liabilities	**633,865**	426,780
Long-term liabilities:		
Operating lease liabilites, net of current portion	**217,271**	-
Total liabilities	**851,136**	426,780
Net assets without donor restrictions:		
Undesignated	**2,073,399**	2,752,124
Board designated	**4,000,000**	4,000,000
Property, equipment and website	**1,070,771**	1,475,267
Total net assets	**7,144,170**	8,227,391
Total liabilities and net assets	**$ 7,995,306**	$ 8,654,171

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

DESIRING GOD MINISTRIES

YEARS ENDED JUNE 30

	2023	2022
Support and revenue:		
Contributions	**$ 9,432,025**	$ 9,506,096
Investment income (loss)	**236,730**	(36,253)
Other income	**5,822**	20,493
Total revenue	**9,674,577**	9,490,336
Expenses:		
Program expenses	**9,032,016**	7,212,391
Support expenses:		
Fundraising	**303,394**	302,707
Management	**1,422,388**	1,654,048
Total expenses	**10,757,798**	9,169,146
Change in net assets without donor restricitons	**(1,083,221)**	321,190
Net assets without donor restrictions, beginning	**8,227,391**	7,906,201
Net assets without donor restrictions, ending	**$ 7,144,170**	$ 8,227,391

See notes to financial statements.

DESIRING GOD MINISTRIES

		2023		2022
Cash flows from operating activities:				
Change in net assets	**$**	**(1,083,221)**	$	321,190
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization		**404,496**		306,827
(Increase) decrease in current assets:				
Accounts and other receivables		**(2,388)**		(4,290)
Prepaid expenses		**(231,025)**		122,778
Increase (decrease) in current liabilities:				
Accounts payable		**90,562**		(68,864)
Accrued expenses		**44,948**		76,537
Deferred revenue		**(9,361)**		2,067
Right-of-use assets and lease liabilities		**12,999**		-
Net cash (used in) provided by operating activities		**(772,990)**		756,245
Cash flows from investing activities:				
Purchase of:				
Property, equipment and website		**-**		(579,528)
Investments		**(900,000)**		(2,300,000)
Sale/redemptions of investments		**1,713,270**		2,186,253
Net cash provided by (used in) investing activities		**813,270**		(693,275)
Net change in cash		**40,280**		62,970
Cash, beginning		**810,664**		747,694
Cash, ending	**$**	**850,944**	$	810,664

See notes to financial statements.

DESIRING GOD MINISTRIES

	Program services					Support services			
	Teaching	Product	Spreading	Ministry partners	Total program services	Fundraising	Management general	Total support services	Total all services
Salaries	$ 1,008,366	$ 681,034	$ 1,048,660	$ 640,487	$ 3,378,547	$ 91,821	$ 393,640	$ 485,461	$ 3,864,008
Payroll taxes and benefits	348,340	225,867	430,108	214,188	1,218,503	27,947	208,143	236,090	1,454,593
Contract services	70,071	455,074	1,221,745	206,387	1,953,277	18,326	323,839	342,165	2,295,442
Marketing	-	-	967,582	-	967,582	-	-	-	967,582
Outreach events	-	-	5,900	719	6,619	-	-	-	6,619
Professional fees	1,879	1,269	1,954	1,194	6,296	171	151,855	152,026	158,322
Donated resources	-	-	500,955	389	501,344	-	110,236	110,236	611,580
Supplies and other	87,849	146,788	336,127	66,055	636,819	161,670	126,692	288,362	925,181
Travel	17,837	14,370	91,398	73,841	197,446	15	61,348	61,363	258,809
Facilities	46,148	29,273	61,645	28,517	165,583	3,444	46,635	50,079	215,662
Total expenses	$ 1,580,490	$ 1,553,675	$ 4,666,074	$ 1,231,777	$ 9,032,016	$ 303,394	$ 1,422,388	$ 1,725,782	$ 10,757,798
Percentages of total	15%	14%	43%	11%	84%	3%	13%	16%	100%

DESIRING GOD MINISTRIES

	Program services					Support services			
	Teaching	Product	Spreading	Ministry partners	Total program services	Fundraising	Management general	Total support services	Total all 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 rees	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
Percentages of total	16%	8%	42%	13%	79%	3%	18%	21%	100%

See notes to financial statements.

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, 2023 and 2022, 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 $67,792 and $40,293 for the years ended June 30, 2023 and 2022, respectively.

Change in accounting principle:

On July 1, 2022 the Organization adopted Accounting Standards Update No. 2016-02, Leases (Topic 842). 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 adoption of the new standard resulted in the recording of a right of use asset and lease liability on the Organization's statement of financial position (see Note 3).

There was no effect on net position related to the adoption of the standard as of July 1, 2022.

The Organization elected the short-term lease exemption for certain qualifying leases with lease terms of twelve months or less and, accordingly, did not record ROU assets and lease liabilities. These leases with initial terms of less than twelve months are recorded directly to occupancy expense on a straight-line basis over the term of the lease. Rent expense is recognized on a straight-line basis for operating leases over the lease term.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07 (Update), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This update affects the presentation and disclosure of nonfinancial assets. The amendments in this Update require that a Not-for-Profit:

(1) present contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash and other financial assets, and
(2) disclose:
   a. a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, and
   b. for each category of contributed nonfinancial assets recognized (as identified in (a)):
      i. qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit will disclose a description of the programs or other activities in which those assets were used.
      ii. The not-for-profit's policy about monetizing rather than utilizing contributed nonfinancial assets.
      iii. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
      iv. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition.

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

Change in accounting principle (continued):

v. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This update was implemented in 2023 and has been reflected in the presentation of these financial statements. The update has been applied retrospectively to all periods presented.

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 $301,624 and $115,742 for the years ended June 30, 2023 and 2022, 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. Advertising costs for the years ended June 30, 2023 and 2022 was $967,583 and $1,049,075, respectively.

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):

Reclassifications:

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued.

2. Liquidity:

The following represents the Organization's financial assets at June 30, 2023 and 2022:

	2023	2022
Financial assets at year-end:		
Cash	**$ 850,944**	$ 810,664
Accounts receivable, trade, net	**10,038**	7,650
Investments	**5,435,242**	6,248,512
Financial assets available to meet general expenditures over the next twelve months	**$ 6,296,224**	$ 7,066,826

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:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market	**$ 117,247**			**$ 117,247**
Equities	**1,394,606**			**1,394,606**
Fixed income	**3,923,389**			**3,923,389**
Total	**$ 5,435,242**	**$ -**	**$ -**	**$ 5,435,242**

3. Investments (continued):

	2022			
	Level 1	Level 2	Level 3	Total
Money Market	$ 100,269			$ 100,269
Fixed Income	6,148,243			6,148,243
Total	$ 6,248,512	$ -	$ -	$ 6,248,512

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. Property, plant, equipment, website, and operating lease right-of-use assets:

Property, plant, equipment, website, and operating lease right-of-use assets consist of the following at June 30:

	2023	2022
Leasehold improvements	**$ 697,687**	$ 519,907
Furnishing and equipment	**163,072**	163,072
Construction in process	**-**	212,859
	860,759	895,838
Less accumulated depreciation	**(614,186)**	(546,393)
Net property and equipment	**$ 246,573**	$ 349,445
Website development	**$ 1,508,118**	$ 1,508,118
Less accumulated amortization	**(683,920)**	(382,296)
Net website development	**$ 824,198**	$ 1,125,822

6. Leases:

As of July 1, 2022, the Organization adopted *ASU 2016-12 – Leases* (Topic 842) under the modified retrospective approach and has chosen the transition method of not adjusting comparative periods. Under this standard, the Organization determines if an arrangement is a lease at adoption.

The Organization entered into various leases agreements which terminate on various dates through October 2028. Rent expense for the years ended June 30, 2023 and 2022 was $90,708 and $163,543, respectively.

The following is the future minimum lease payments under leases:

Year ended June 30	Amount
2024	$ 92,249
2025	94,494
2026	96,763
2027	34,710
2028	3,306
Total minimum lease payments	321,522
Less amount representing interest	(23,315)
Present value of lease liabilities	$ 298,207

The weighted-average remaining lease term is 3.4 years or (40 months) for operating leases, as of June 30, 2023. The weighted-average discount rate is 4.16% for operating leases, as of June 30, 2023.

7. 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 $168,581 and $142,650 for the years ended June 30, 2023 and 2022, respectively.