

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

**DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Desiring God
Owned and Operated by Bethlehem Baptist Church
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of Desiring God, a division of Bethlehem Baptist Church (including Children Desiring God, LLC) as of December 31, 2007 and 2006, and the related consolidated statements of activity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated February 23, 2007, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Desiring God as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 11 and 12 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations. The consolidating information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



LarsonAllen LLP

Minneapolis, Minnesota
April 9, 2008

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,053,362	\$ 740,482
Accounts Receivable	4,351	2,454
Pledges Receivable	347,147	116,843
Other Receivables	6,998	1,431
Prepaid Expenses	64,627	119,543
Inventory	331,161	292,563
Total Current Assets	1,807,646	1,273,316
PROPERTY AND EQUIPMENT		
Building Improvements	259,803	198,919
Furnishings and Equipment	440,921	351,457
Total Building Improvements and Equipment	700,724	550,376
Less: Accumulated Depreciation	326,288	257,009
Total Property and Equipment	374,436	293,367
OTHER ASSETS		
Pledges Receivable	514,275	30,380
Total Assets	\$ 2,696,357	\$ 1,597,063
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 209,377	\$ 200,555
Accrued Expenses	104,636	32,624
Deferred Revenue	65,950	126,150
Total Liabilities	379,963	359,329
NET ASSETS		
Unrestricted Net Assets	644,680	902,183
Unrestricted - Board Designated	450,000	34,444
Unrestricted - Property and Equipment	374,436	293,367
Temporarily Restricted Net Assets	847,278	7,740
Total Net Assets	2,316,394	1,237,734
Total Liabilities and Net Assets	\$ 2,696,357	\$ 1,597,063

See accompanying Notes to Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			Percentage
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 1,469,176	\$ 1,039,915	\$ 2,509,091	31.6 %
Grants	250,000	-	250,000	3.2
Honoraria	2,200	-	2,200	-
Product Sales	3,805,451	-	3,805,451	48.0
Bookstore Revenue	623,390	-	623,390	7.9
Conference Revenue	720,726	-	720,726	9.1
Interest Income	26,247	-	26,247	0.3
Miscellaneous	(3,547)	-	(3,547)	-
Net Assets Released from Purpose Restriction	200,377	(200,377)	-	-
Total Support and Revenue	<u>7,094,020</u>	<u>839,538</u>	<u>7,933,558</u>	<u>100.0 %</u>
EXPENSES				
Program Expenses	5,509,197	-	5,509,197	80.4 %
Support Expenses:				
General and Administrative Expense	671,527	-	671,527	9.8 %
Fundraising Expense	674,174	-	674,174	9.8 %
Total Support Expenses	<u>1,345,701</u>	<u>-</u>	<u>1,345,701</u>	<u>19.6</u>
Total Expenses	<u>6,854,898</u>	<u>-</u>	<u>6,854,898</u>	<u>100.0 %</u>
CHANGE IN NET ASSETS	239,122	839,538	1,078,660	
Net Assets - Beginning	<u>1,229,994</u>	<u>7,740</u>	<u>1,237,734</u>	
NET ASSETS - ENDING	<u>\$ 1,469,116</u>	<u>\$ 847,278</u>	<u>\$ 2,316,394</u>	

See accompanying Notes to Financial Statements.

2006

Unrestricted	Temporarily Restricted	Total	Percentage
\$ 1,423,164	\$ 2,740	\$ 1,425,904	27.3 %
250,000	-	250,000	4.8
350	-	350	-
2,521,617	-	2,521,617	48.3
548,057	-	548,057	10.5
464,566	-	464,566	8.9
10,047	-	10,047	0.2
852	-	852	-
<u>128,810</u>	<u>(128,810)</u>	<u>-</u>	<u>-</u>
<u>5,347,463</u>	<u>(126,070)</u>	<u>5,221,393</u>	<u>100.0 %</u>
3,908,597	-	3,908,597	79.8 %
408,325	-	408,325	8.3
<u>579,789</u>	<u>-</u>	<u>579,789</u>	<u>11.9</u>
<u>988,114</u>	<u>-</u>	<u>988,114</u>	<u>20.2</u>
<u>4,896,711</u>	<u>-</u>	<u>4,896,711</u>	<u>100.0 %</u>
450,752	(126,070)	324,682	
<u>779,242</u>	<u>133,810</u>	<u>913,052</u>	
<u>\$ 1,229,994</u>	<u>\$ 7,740</u>	<u>\$ 1,237,734</u>	

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,078,660	\$ 324,682
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	69,279	40,371
In-kind Asset Contribution	(3,134)	-
(Increase) Decrease in Current Assets:		
Accounts and Other Receivables	(7,464)	21,341
Pledges Receivable	(714,199)	50,628
Prepaid Expenses	54,916	(86,361)
Inventory	(38,598)	(61,923)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	8,822	(57,411)
Accrued Expenses	72,012	7,641
Deferred Revenue	(60,200)	32,432
Net Cash Provided by Operating Activities	460,094	271,400
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(147,214)	(154,475)
 INCREASE IN CASH AND CASH EQUIVALENTS	312,880	116,925
Cash and Cash Equivalents - Beginning of Year	740,482	623,557
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,053,362	\$ 740,482

See accompanying Notes to Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Desiring God exists to proclaim this truth: *God is most glorified in us when we are most satisfied in him.* The Organization does this mainly through distributing God-centered resources from Pastor John Piper. These God-centered resources include items such as books, audio sermons, online articles and online sermons. In addition, Desiring God publishes children's educational curricula, coordinates conferences, and produces a radio program called "Desiring God".

Desiring God is a division of Bethlehem Baptist Church. Bethlehem Baptist Church is organized to promote spiritual, educational and other interests for its members and the community. The mission of the Church is "to spread a passion for the supremacy of God in all things for the joy of all peoples." The Church is located in Minneapolis, Minnesota.

Children Desiring God, LLC was formed effective January 1, 2007 and was organized and shall be operated exclusively to carry out the purposes of its sole member, Desiring God.

Basis of Consolidation

The consolidated financial statements include the activities of Desiring God and Children Desiring God, LLC. The consolidation is due to the Organization's control of Children Desiring God, LLC as the sole member of the LLC. All intercompany transactions have been eliminated in consolidation.

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.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same calendar year, within the unrestricted net asset class.

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.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 December 31, 2007 and 2006, the allowance for doubtful accounts was \$-0-.

Pledges Receivable

Pledges receivable are recorded at net realizable value. Conditional pledges are not included as support until such time as the conditions are substantially met. Management believes the pledges are fully collectible.

Inventory

Inventory consisting of religious books and materials is valued at current cost utilizing a lower of cost (first-in, first-out) or market method of accounting.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. 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 December 31, 2007 and 2006 was \$69,279 and \$40,371, respectively.

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.

Deferred Revenue

Payments received by the Organization for conferences held in 2008 are deferred and subsequently recognized as revenue in the year for which the payment applies.

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.

Advertising Expense

Advertising expenses are expensed as incurred. Advertising expense for the years ended December 31, 2007 and 2006 was \$75,168 and \$80,234, respectively.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2007 and 2006:

	2007	2006
Campaign Contributions	\$ 30,000	\$ 149,133
Buildout Pledge	250,000	-
In-Kind Rent	671,475	-
Subtotal	951,475	149,133
Present Value Allowance - 5.0%, 2.5% respectively	(90,053)	(1,910)
Net Pledges Receivable	\$ 861,422	\$ 147,223
Due within One Year	\$ 347,147	\$ 116,843
Due in One to Five Years	514,275	30,380
Total Pledges Receivable	\$ 861,422	\$ 147,223

During the year ended December 31, 2007 the Organization entered into a lease agreement that requires the Organization to pay \$1 annually for the rental of office and storage space. The lease has a twenty-five year term and the Organization has the option to terminate upon eighteen months prior written notice to the Landlord. This transaction is valued as a pledge receivable for in-kind rent at its fair value based on per square footage of comparable leased space for a five year term, the foreseeable length of the lease.

NOTE 3 TAX EXEMPT STATUS

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and Section 209.05, Subdivision 1(i) of the Minnesota Statutes.

NOTE 4 RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consist of the following at December 31:

	2007	2006
Restricted to Purpose:		
Russian Translation	\$ 5,000	\$ 5,000
New Buildout	250,000	-
DWL Book Sponsor Program	5,245	-
Building Capacity Project	278	-
Spanish Translation	5,333	2,740
In-Kind Rent	581,422	-
	\$ 847,278	\$ 7,740

Net assets released from purpose restrictions during the years ended December 31, 2007 and 2006 were \$200,377 and \$128,810, respectively.

DESIRING GOD
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 5 LEASES

The Organization has a lease agreement for office space and parking lot space. Rent expense for the years ended December 31, 2007 and 2006 was \$87,575 and \$87,671, respectively. The following is the future minimum lease payment schedule for the lease noted above:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 87,576
2009	1
2010	1
2011	1
2012	1
Thereafter	20
Total	<u>\$ 87,600</u>

NOTE 6 COMMITMENTS

The Organization has entered into agreements for ministry content and promotion and conference venues and hotels. Future minimum purchase commitments total approximately \$365,000 at December 31, 2007.

NOTE 7 PENSION PLAN

The Organization established a Simple IRA plan covering substantially all employees. Employees participate in the pension plan if they have earned \$5,000 in either of the previous two calendar years or if they anticipate earning that amount in the current calendar year. Contributions to the plan equal 3 percent of the employee's compensation. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$21,477 and \$15,976 as of December 31, 2007 and 2006, respectively.

NOTE 8 RELATED PARTIES

Desiring God is a division of Bethlehem Baptist Church. During the years ended December 31, 2007 and 2006, Desiring God received \$51,321 and \$40,342, respectively, from Bethlehem Baptist Church and paid \$11,712 and \$10,025, respectively, to Bethlehem Baptist Church for purchases, reimbursements and donations.

One of the owners of the company Desiring God uses mailing and fulfillment services is a member of the Bethlehem Baptist Church Council of Elders. During the years ended December 31, 2007 and 2006, expenses for services from this company totaled \$562,231 and \$306,342, respectively.

DESIRING GOD
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 8 RELATED PARTIES (CONTINUED)

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 \$250,000 during the years ended December 31, 2007 and 2006.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2007

ASSETS	Desiring God	Children Desiring God	Eliminations	2007 Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 852,092	\$ 201,270	\$ -	\$ 1,053,362
Accounts Receivable	4,266	85	-	4,351
Pledges Receivable	347,147	-	-	347,147
Other Receivables	6,998	-	-	6,998
Prepaid Expenses	63,418	1,209	-	64,627
Inventory	313,777	17,384	-	331,161
Total Current Assets	<u>1,587,698</u>	<u>219,948</u>	-	<u>1,807,646</u>
PROPERTY AND EQUIPMENT				
Building Improvements	259,803	-	-	259,803
Furnishings and Equipment	440,921	-	-	440,921
Total Building Improvements and Equipment	<u>700,724</u>	-	-	<u>700,724</u>
Less: Accumulated Depreciation	326,288	-	-	326,288
Total Property and Equipment	<u>374,436</u>	-	-	<u>374,436</u>
OTHER ASSETS				
Pledges Receivable	514,275	-	-	514,275
Total Assets	<u>\$ 2,476,409</u>	<u>\$ 219,948</u>	<u>\$ -</u>	<u>\$ 2,696,357</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 160,713	\$ 48,664	\$ -	\$ 209,377
Accrued Expenses	97,816	6,820	-	104,636
Deferred Revenue	65,950	-	-	65,950
Total Liabilities	<u>324,479</u>	<u>55,484</u>	-	<u>379,963</u>
NET ASSETS				
Unrestricted Net Assets	485,216	159,464	-	644,680
Unrestricted - Board Designated	450,000	-	-	450,000
Unrestricted - Property and Equipment	374,436	-	-	374,436
Temporarily Restricted Net Assets	842,278	5,000	-	847,278
Total Net Assets	<u>2,151,930</u>	<u>164,464</u>	-	<u>2,316,394</u>
Total Liabilities and Net Assets	<u>\$ 2,476,409</u>	<u>\$ 219,948</u>	<u>\$ -</u>	<u>\$ 2,696,357</u>

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2007

	Desiring God		Children Desiring God			2007 Total
	Unrestricted	Temporarily Restricted	2007 Total	Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUE						
Contributions	\$ 1,437,593	\$ 1,039,915	\$ 2,477,508	\$ 82,540	\$ 5,000	\$ 2,509,091
Grants	250,000	-	250,000	-	-	250,000
Honoraria	1,850	-	1,850	350	-	2,200
Product Sales	2,472,103	-	2,472,103	1,333,348	-	3,805,451
Bookstore Revenue	623,390	-	623,390	-	-	623,390
Conference Revenue	522,035	-	522,035	198,691	-	720,726
Interest Income	20,928	-	20,928	5,319	-	26,247
Miscellaneous	81,785	-	81,785	-	-	(3,547)
Net Assets Released from Purpose Restriction	205,377	(205,377)	-	-	-	-
Total Support and Revenue	5,615,061	834,538	6,449,599	1,620,248	5,000	7,933,558
EXPENSES						
Program Expenses	4,313,393	-	4,313,393	1,252,313	-	5,509,197
Support Expenses:						
General and Administrative Expense	559,406	-	559,406	196,901	-	671,527
Fundraising Expense	662,604	-	662,604	11,570	-	674,174
Total Support Expenses	1,222,010	-	1,222,010	208,471	-	1,345,701
Total Expenses	5,535,403	-	5,535,403	1,460,784	-	6,854,898
CHANGE IN NET ASSETS						
Net Assets - Beginning	79,658	834,538	914,196	159,464	5,000	1,078,660
Net Assets - Ending	1,229,994	7,740	1,237,734	-	-	1,237,734
NET ASSETS - ENDING	<u>\$ 1,309,652</u>	<u>\$ 842,278</u>	<u>\$ 2,151,930</u>	<u>\$ 159,464</u>	<u>\$ 5,000</u>	<u>\$ 2,316,394</u>