

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

**DESIRING GOD  
A DIVISION OF BETHLEHEM BAPTIST CHURCH  
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# LarsonAllen<sup>SM</sup>

CPAs, Consultants & Advisors  
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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 balance sheets of Desiring God, a division of Bethlehem Baptist Church as of December 31, 2005 and 2004, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desiring God as of December 31, 2005 and 2004, 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.

  
LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota  
March 8, 2006

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**BALANCE SHEETS**  
**DECEMBER 31, 2005 AND 2004**

<b>ASSETS</b>	2005	2004
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 623,557	\$ 190,359
Accounts Receivable	24,933	11,260
Pledges Receivable	120,041	-
Grants Receivable	101	34,869
Other Receivables	192	6,851
Prepaid Expenses	33,182	12,149
Inventory	230,640	298,703
Total Current Assets	1,032,646	554,191
<b>PROPERTY AND EQUIPMENT</b>		
Building Improvements	198,919	198,919
Furnishings and Equipment	196,982	61,765
Total Building Improvements and Equipment	395,901	260,684
Less: Accumulated Depreciation	216,638	144,766
Total Property and Equipment	179,263	115,918
<b>OTHER ASSETS</b>		
Pledges Receivable	77,810	-
Total Assets	\$ 1,289,719	\$ 670,109
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 257,966	\$ 176,685
Accrued Expenses	24,983	25,291
Deferred Revenue	93,718	96,770
Total Liabilities	376,667	298,746
<b>NET ASSETS</b>		
Unrestricted Net Assets	779,242	366,363
Temporarily Restricted Net Assets	133,810	5,000
Total Net Assets	913,052	371,363
Total Liabilities and Net Assets	\$ 1,289,719	\$ 670,109

See accompanying Notes to Financial Statements.

2004

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Percentage</u>
\$ 715,046	\$ 5,000	\$ 720,046	14.0 %
248,768	-	248,768	4.8
3,485,949	-	3,485,949	67.9
432,544	-	432,544	8.4
245,141	-	245,141	4.8
<u>5,127,448</u>	<u>5,000</u>	<u>5,132,448</u>	<u>100.0</u>
4,292,448	-	4,292,448	83.6
461,588	-	461,588	9.0
527,177	-	527,177	10.3
<u>988,765</u>	<u>-</u>	<u>988,765</u>	<u>19.3</u>
<u>5,281,213</u>	<u>-</u>	<u>5,281,213</u>	<u>102.9</u>
(153,765)	5,000	(148,765)	<u>(2.9)%</u>
<u>520,128</u>	<u>-</u>	<u>520,128</u>	
<u>\$ 366,363</u>	<u>\$ 5,000</u>	<u>\$ 371,363</u>	

**DESIRING GOD**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 541,689	\$ (148,765)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	71,872	74,695
(Increase) Decrease in Current Assets:		
Accounts Receivable	27,754	(15,578)
Pledges Receivable	(197,851)	-
Prepaid Expenses	(21,033)	(3,581)
Inventory	68,063	(117,745)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	81,281	(88,891)
Accrued Expenses	(308)	14,714
Deferred Revenue	(3,052)	41,614
Net Cash Provided (Used) by Operating Activities	568,415	(243,537)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(135,217)	(81,567)
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	433,198	(325,104)
Cash and Cash Equivalents - Beginning of Year	190,359	515,463
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 623,557	\$ 190,359

*See accompanying Notes to Financial Statements.*

**DESIRING GOD**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**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.

**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.

**Grants, 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, 2005 and 2004, the allowance for doubtful accounts was \$-0-.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

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

**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, 2005 and 2004 was \$71,872 and \$74,695, 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 conference held in 2006 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, 2005 and 2004 was \$71,682 and \$142,298, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2004**

**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31, 2005:

	2005
Campaign Contributions	\$ 69,041
Radio Program Contributions	132,000
Subtotal	201,041
Present Value Allowance - 2.5%	(3,190)
Net Pledges Receivable	\$ 197,851
Due within One Year	\$ 120,041
Due in One to Five Years	77,810
Total Pledges Receivable	\$ 197,851

At December 31, 2004 there were no pledges receivable.

**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:

	2005	2004
Restricted to Purpose:		
Russian Translation	\$ 5,000	\$ 5,000
Radio Program	128,810	-
	\$ 133,810	\$ 5,000

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**NOTE 5 LEASES**

The Organization has a lease agreement for office space and parking lot space. Rent expense for the years ended December 31, 2005 and 2004 was \$73,230 and \$65,457, respectively. The following is the future minimum lease payment schedule for the lease noted above:

<u>Year Ending December 31,</u>	<u>Amount</u>
2006	\$ 91,548
2007	94,044
2008	96,540
Total	<u>\$ 282,132</u>

**NOTE 6 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% of the employee's compensation. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$15,326 and \$10,942 as of December 31, 2005 and 2004, respectively.

**NOTE 7 RELATED PARTIES**

Desiring God is a division of Bethlehem Baptist Church.

During 2001, Desiring God established Desiring God Foundation. This organization is a 501(c)(3) – Private Foundation. The purpose of the Foundation is to make grants to churches and other Christian ministries, but primarily, royalties received would go to help fund Desiring God. The Foundation's assets include the rights to receive royalties under publishing contracts for books written by John Piper, the Foundation's President.

