

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005

**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 balance sheets of Desiring God, a division of Bethlehem Baptist Church as of December 31, 2006 and 2005, 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, 2006 and 2005, 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

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
February 23, 2007



DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

ASSETS	2006	2005
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 740,482	\$ 623,557
Accounts Receivable	2,454	24,933
Pledges Receivable	116,843	120,041
Grants Receivable	-	101
Other Receivables	1,431	192
Prepaid Expenses	119,543	33,182
Inventory	292,563	230,640
Total Current Assets	1,273,316	1,032,646
PROPERTY AND EQUIPMENT		
Building Improvements	198,919	198,919
Furnishings and Equipment	351,457	196,982
Total Building Improvements and Equipment	550,376	395,901
Less: Accumulated Depreciation	257,009	216,638
Total Property and Equipment	293,367	179,263
OTHER ASSETS		
Pledges Receivable	30,380	77,810
Total Assets	\$ 1,597,063	\$ 1,289,719
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 200,555	\$ 257,966
Accrued Expenses	32,624	24,983
Deferred Revenue	126,150	93,718
Total Liabilities	359,329	376,667
NET ASSETS		
Unrestricted Net Assets	1,195,550	779,242
Unrestricted - Board Designated	34,444	-
Temporarily Restricted Net Assets	7,740	133,810
Total Net Assets	1,237,734	913,052
Total Liabilities and Net Assets	\$ 1,597,063	\$ 1,289,719

See accompanying Notes to Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006		Total	Percentage
	Unrestricted	Temporarily Restricted		
SUPPORT AND REVENUE				
Contributions	\$ 1,423,164	\$ 2,740	\$ 1,425,904	27.3 %
Grants	250,000	-	250,000	4.8
Honoraria	350	-	350	-
Product Sales	2,521,617	-	2,521,617	48.3
Bookstore Revenue	548,057	-	548,057	10.5
Conference Revenue	464,566	-	464,566	8.9
Interest Income	10,047	-	10,047	0.2
Miscellaneous	852	-	852	-
Net Assets Released from Purpose Restriction	128,810	(128,810)	-	-
Total Support and Revenue	<u>5,347,463</u>	<u>(126,070)</u>	<u>5,221,393</u>	<u>100.0 %</u>
EXPENSES				
Program Expenses	3,908,597	-	3,908,597	79.8 %
Support Expenses:				
General and Administrative Expense	408,325	-	408,325	8.3
Fundraising Expense	579,789	-	579,789	11.8
Total Support Expenses	<u>988,114</u>	<u>-</u>	<u>988,114</u>	<u>20.2</u>
Total Expenses	<u>4,896,711</u>	<u>-</u>	<u>4,896,711</u>	<u>100.0 %</u>
CHANGE IN NET ASSETS	450,752	(126,070)	324,682	
Net Assets - Beginning	<u>779,242</u>	<u>133,810</u>	<u>913,052</u>	
NET ASSETS - ENDING	<u>\$ 1,229,994</u>	<u>\$ 7,740</u>	<u>\$ 1,237,734</u>	

See accompanying Notes to Financial Statements.

2005

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Percentage</u>
\$ 1,366,279	\$ 128,810	\$ 1,495,089	29.2 %
294,272	-	294,272	5.7
-	-	-	-
2,404,216	-	2,404,216	46.9
511,460	-	511,460	10.0
419,401	-	419,401	8.2
-	-	-	-
347	-	347	-
-	-	-	-
<u>4,995,975</u>	<u>128,810</u>	<u>5,124,785</u>	<u>100.0 %</u>
3,818,426	-	3,818,426	83.3 %
340,900	-	340,900	7.4
423,770	-	423,770	9.3
<u>764,670</u>	<u>-</u>	<u>764,670</u>	<u>16.7</u>
<u>4,583,096</u>	<u>-</u>	<u>4,583,096</u>	<u>100.0 %</u>
412,879	128,810	541,689	
366,363	5,000	371,363	
<u>\$ 779,242</u>	<u>\$ 133,810</u>	<u>\$ 913,052</u>	

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 324,682	\$ 541,689
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	40,371	71,872
(Increase) Decrease in Current Assets:		
Accounts Receivable	21,341	27,754
Pledges Receivable	50,628	(197,851)
Prepaid Expenses	(86,361)	(21,033)
Inventory	(61,923)	68,063
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(57,411)	81,281
Accrued Expenses	7,641	(308)
Deferred Revenue	32,432	(3,052)
Net Cash Provided by Operating Activities	271,400	568,415
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(154,475)	(135,217)
 INCREASE IN CASH AND CASH EQUIVALENTS	116,925	433,198
Cash and Cash Equivalents - Beginning of Year	623,557	190,359
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 740,482	\$ 623,557

See accompanying Notes to Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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, 2006 and 2005, the allowance for doubtful accounts was \$-0-.

DESIRING GOD
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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, 2006 and 2005 was \$40,371 and \$71,872, 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 2007 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, 2006 and 2005 was \$80,234 and \$71,682, respectively.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2006 and 2005:

	2006	2005
Campaign Contributions	\$ 149,133	\$ 69,041
Radio Program Contributions	-	132,000
Subtotal	149,133	201,041
Present Value Allowance - 2.5%	(1,910)	(3,190)
Net Pledges Receivable	\$ 147,223	\$ 197,851
Due within One Year	\$ 116,843	\$ 120,041
Due in One to Five Years	30,380	77,810
Total Pledges Receivable	\$ 147,223	\$ 197,851

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:

	2006	2005
Restricted to Purpose:		
Russian Translation	\$ 5,000	\$ 5,000
Spanish Translation	2,740	-
Radio Program	-	128,810
	\$ 7,740	\$ 133,810

Net assets released from purpose restrictions during the years ended December 31, 2006 and 2005 were \$128,810 and \$-0-, respectively.

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DECEMBER 31, 2006 AND 2005**

NOTE 5 LEASES

The Organization has a lease agreement for office space and parking lot space. Rent expense for the years ended December 31, 2006 and 2005 was \$87,671 and \$73,230, respectively. The following is the future minimum lease payment schedule for the lease noted above:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$ 91,548
2008	94,044
Total	\$ 185,592

NOTE 6 COMMITMENTS

The Organization has entered into agreements to purchase inventory, donor development services, and ministry content and promotion. Future minimum purchase commitments total \$97,100 in 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% of the employee's compensation. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$15,976 and \$15,326 as of December 31, 2006 and 2005, respectively.

NOTE 8 RELATED PARTIES

Desiring God is a division of Bethlehem Baptist Church.

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.

NOTE 9 SUBSEQUENT EVENTS

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.