

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTH PERIOD ENDED JUNE 30, 2013**

**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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Copy of Desiring God, a division of Bethlehem Baptist Church (including Children Desiring God, LLC), which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of activity and cash flows for the six month period then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Copy of Desiring God as of June 30, 2013, and the changes in their net assets and their cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 11 and 12, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 1, 2013

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 1,097,017
Accounts Receivable	3,950
Other Receivables	23,030
Grants Receivable	100,000
Prepaid Expenses	72,616
Inventory	57,230
Total Current Assets	<u>1,353,843</u>

**PROPERTY AND EQUIPMENT**

Leasehold Improvements	261,013
Furnishings and Equipment	584,777
Total Leasehold Improvements and Equipment	<u>845,790</u>
Less: Accumulated Depreciation	<u>(748,290)</u>
Total Property and Equipment	<u>97,500</u>

Total Assets	<u><u>\$ 1,451,343</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 102,766
Accrued Expenses	151,948
Deferred Revenue	146,961
Total Liabilities	<u>401,675</u>

**NET ASSETS**

Unrestricted Net Assets	124,326
Unrestricted - Board Designated	600,000
Unrestricted - Property and Equipment	97,500
Total Unrestricted Net Assets	<u>821,826</u>
Temporarily Restricted Net Assets	227,842
Total Net Assets	<u>1,049,668</u>

Total Liabilities and Net Assets	<u><u>\$ 1,451,343</u></u>
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*See accompanying Notes to Consolidated Financial Statements.*

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATED STATEMENT OF ACTIVITY**  
**SIX MONTH PERIOD ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Percentage</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,051,900	\$ -	\$ 1,051,900	48.5 %
Grants and Honoraria	121,980	-	121,980	5.6
Product Sales	514,760	-	514,760	23.7
Bookstore Revenue	12,383	-	12,383	0.6
Conference Revenue	448,634	-	448,634	20.7
Interest Income	839	-	839	-
Miscellaneous	18,985	-	18,985	0.9
Net Assets Released from Purpose Restriction	49,522	(49,522)	-	-
<b>Total Support and Revenue</b>	<u>2,219,003</u>	<u>(49,522)</u>	<u>2,169,481</u>	<u>100.0 %</u>
<b>EXPENSES</b>				
Program Expenses	2,131,147	-	2,131,147	78.1 %
Support Expenses:				
General and Administrative Expense	415,174	-	415,174	15.2
Fundraising Expense	182,134	-	182,134	6.7
<b>Total Support Expenses</b>	<u>597,308</u>	<u>-</u>	<u>597,308</u>	<u>21.9</u>
<b>Total Expenses</b>	<u>2,728,455</u>	<u>-</u>	<u>2,728,455</u>	<u>100.0 %</u>
<b>CHANGE IN NET ASSETS</b>	(509,452)	(49,522)	(558,974)	
Net Assets - Beginning	<u>1,331,278</u>	<u>277,364</u>	<u>1,608,642</u>	
<b>NET ASSETS - ENDING</b>	<u>\$ 821,826</u>	<u>\$ 227,842</u>	<u>\$ 1,049,668</u>	

See accompanying Notes to Consolidated Financial Statements.

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**SIX MONTH PERIOD ENDED JUNE 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (558,974)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	18,798
(Increase) Decrease in Current Assets:	
Accounts and Other Receivables	(95,967)
Prepaid Expenses	17,279
Inventory	10,213
Increase (Decrease) in Current Liabilities:	
Accounts Payable	29,162
Accrued Expenses	51,625
Deferred Revenue	<u>(31,906)</u>
Net Cash Used by Operating Activities	<u>(559,770)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments Received on Note Receivable	<u>57,573</u>
Net Cash Provided by Investing Activities	<u>57,573</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(502,197)
Cash and Cash Equivalents - Beginning of Year	<u>1,599,214</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,097,017</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

Desiring God (the Organization) 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.

**Change in Fiscal Year-End**

Previously the Organization's year-end was December 31st. The Organization has changed its year-end with this period to June 30th to better match the business cycle of the Organization.

**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.

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



**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**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.

**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 June 30, 2013, all amounts were considered collectible and no allowance was deemed necessary.

**Inventory**

Inventory consisting of religious books and materials is valued at current cost utilizing a weighted average 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 six month period ended June 30, 2013 was \$18,798.

**Accounting Estimates**

Management uses estimates and assumptions in preparing consolidated 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 future periods 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.

**DESIRING GOD**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 1, 2013, the date the consolidated financial statements were available to be issued.

**NOTE 2 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 adopted the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of the standards implementation. The Organization's 2012, 2011, and 2010 tax years are open for examination by the IRS. The entity files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

**NOTE 3 RESTRICTIONS ON NET ASSETS**

**Temporarily Restricted**

Temporarily restricted net assets consist of the following at June 30, 2013:

Restricted to Purpose:	
Building Capacity Project	\$ 198,937
Book Projects	20,559
Websites	5,723
Other	2,623
Total	<u>\$ 227,842</u>

Net assets released from purpose restrictions during the six month period ended June 30, 2013 was \$49,522.

**DESIRING GOD**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 LEASES**

The Organization has a lease agreement for office space and parking lot space. The lease calls for monthly payments of \$6,655 through March 31, 2013, increasing to \$6,688 per month through the end of the lease on March 31, 2015. Rent expense for the six month period ended June 30, 2013 was \$56,046.

The Organization exercised their option to terminate the lease in accordance with the terms of the lease agreement, effective October 31, 2013. Future minimum lease payments through October 2013 are \$68,181. In 2013, Desiring God and Children's Desiring God entered into new lease agreements. Desiring God's lease terminates on October 31, 2020 and Children's Desiring God's lease terminates on May 31, 2014, with the option to renew.

The following is the future minimum lease payment schedule for the leases noted above:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 77,432
2015	62,260
2016	63,510
2017	64,770
2018	66,080
Thereafter	159,170
Total	<u>\$ 493,222</u>

**NOTE 5 COMMITMENTS**

The Organization has entered into agreements for ministry content and promotion and conference venues and hotels. Future minimum purchase commitments total approximately \$425,000 at June 30, 2013.

**NOTE 6 PENSION 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 3% of employee's annual gross salary. The Organization follows the policy of funding retirement plan contributions as accrued. Contributions to the plan totaled \$29,793 for the six month period ending June 30, 2013.

Effective January 1, 2013, the Organization approved matching up to 4% of eligible compensation for employees.

**DESIRING GOD**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 RELATED PARTIES**

Desiring God is a division of Bethlehem Baptist Church. During the six month period ended June 30, 2013, Desiring God received \$27,530 from Bethlehem Baptist Church and paid \$13,831 to Bethlehem Baptist Church for purchases, reimbursements and donations. Children's Desiring God paid \$3,334 to Bethlehem Baptist Church for purchases and reimbursements.

One of the owners of the company Desiring God uses for mailing and fulfillment services is a member of the Bethlehem Baptist Church Council of Elders. During the six month period ended June 30, 2013, expenses for services from this company totaled \$24,412.

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 \$100,000 during the six month period ended June 30, 2013.

During 2012, Desiring God sold their bookstore, consisting primarily of book inventory and unredeemed gift cards, to Bethlehem College and Seminary for a note receivable worth \$46,059. The note was to be paid in monthly installments of \$1,919, commencing on July 15, 2012 and maturing on June 15, 2014. The remaining balance on the note receivable was \$23,030 at June 30, 2013. Bethlehem College & Seminary is current on its monthly payments, and no allowance is deemed necessary.

Royalties to one of the authors of the curriculum was distributed into a company that was formed to distribute funds for charitable purposes. One of the owners of this company is the President and Found of Children's Desiring God. During the six month period ended June 30, 2013, the distributed amount to this company totaled \$25,687.

**NOTE 8 LINE OF CREDIT**

In 2011, the Organization entered into a line of credit agreement with Wells Fargo Bank. The line of credit is unsecured and provides for short-term borrowing up to \$100,000 at a variable interest rate of prime + 6.75%. The agreement automatically renews each year until terminated by the Organization. There were no outstanding balances due on this line of credit as of June 30, 2013.

**NOTE 9 SUBSEQUENT EVENT**

Effective October 1, 2013, the Council of Elders at Bethlehem Baptist Church voted to separate from Desiring God, so that Desiring God is no longer a division of Bethlehem Baptist Church.

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATING BALANCE SHEET**  
**JUNE 30, 2013**  
**(UNAUDITED)**

<b>ASSETS</b>	<u>Desiring God</u>	<u>Children Desiring God</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,018,943	\$ 78,074	\$ -	\$ 1,097,017
Accounts Receivable	3,950	-	-	3,950
Other Receivables	34,863	-	(11,833)	23,030
Grants Receivables	100,000	-	-	100,000
Prepaid Expenses	70,866	1,750	-	72,616
Inventory	25,146	32,084	-	57,230
Total Current Assets	<u>1,253,768</u>	<u>111,908</u>	<u>(11,833)</u>	<u>1,353,843</u>
<b>PROPERTY AND EQUIPMENT</b>				
Building Improvements	261,013	-	-	261,013
Furnishings and Equipment	537,434	47,343	-	584,777
Total Building Improvements and Equipment	<u>798,447</u>	<u>47,343</u>	<u>-</u>	<u>845,790</u>
Less: Accumulated Depreciation	(727,484)	(20,806)	-	(748,290)
Total Property and Equipment	<u>70,963</u>	<u>26,537</u>	<u>-</u>	<u>97,500</u>
 Total Assets	 <u>\$ 1,324,731</u>	 <u>\$ 138,445</u>	 <u>\$ (11,833)</u>	 <u>\$ 1,451,343</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 27,408	\$ 87,191	\$ (11,833)	\$ 102,766
Accrued Expenses	131,220	20,728	-	151,948
Deferred Revenue	146,961	-	-	146,961
Total Liabilities	<u>305,589</u>	<u>107,919</u>	<u>(11,833)</u>	<u>401,675</u>
<b>NET ASSETS</b>				
Unrestricted Net Assets	-	17,174	-	17,174
Unrestricted - Board Designated	720,337	13,352	-	733,689
Unrestricted - Property and Equipment	70,963	-	-	70,963
Total Unrestricted Net Assets	<u>791,300</u>	<u>30,526</u>	<u>-</u>	<u>821,826</u>
Temporarily Restricted Net Assets	227,842	-	-	227,842
Total Net Assets	<u>1,019,142</u>	<u>30,526</u>	<u>-</u>	<u>1,049,668</u>
 Total Liabilities and Net Assets	 <u>\$ 1,324,731</u>	 <u>\$ 138,445</u>	 <u>\$ (11,833)</u>	 <u>\$ 1,451,343</u>

**DESIRING GOD**  
**A DIVISION OF BETHLEHEM BAPTIST CHURCH**  
**CONSOLIDATING STATEMENT OF ACTIVITY**  
**SIX MONTH PERIOD ENDED JUNE 30, 2013**  
**(UNAUDITED)**

	Desiring God			Children Desiring God			Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>SUPPORT AND REVENUE</b>								
Contributions	\$ 1,040,269	\$ -	\$ 1,040,269	\$ 11,631	\$ -	\$ 11,631	\$ -	\$ 1,051,900
Grants and Honoraria	121,980	-	121,980	-	-	-	-	121,980
Product Sales	117,350	-	117,350	397,747	-	397,747	(337)	514,760
Bookstore Revenue	12,383	-	12,383	-	-	-	-	12,383
Conference Revenue	257,722	-	257,722	190,912	-	190,912	-	448,634
Interest Income	792	-	792	47	-	47	-	839
Miscellaneous	18,985	-	18,985	-	-	-	-	18,985
Net Assets Released from Purpose Restriction	49,522	(49,522)	-	-	-	-	-	-
<b>Total Support and Revenue</b>	<b>1,619,003</b>	<b>(49,522)</b>	<b>1,569,481</b>	<b>600,337</b>	<b>-</b>	<b>600,337</b>	<b>(337)</b>	<b>2,169,481</b>
<b>EXPENSES</b>								
Program Expenses	1,581,928	-	1,581,928	549,556	-	549,556	(337)	2,131,147
Support Expenses:								
General and Administrative Expense	233,257	-	233,257	181,917	-	181,917	-	415,174
Fundraising Expense	180,668	-	180,668	1,466	-	1,466	-	182,134
<b>Total Support Expenses</b>	<b>413,925</b>	<b>-</b>	<b>413,925</b>	<b>183,383</b>	<b>-</b>	<b>183,383</b>	<b>-</b>	<b>597,308</b>
<b>Total Expenses</b>	<b>1,995,853</b>	<b>-</b>	<b>1,995,853</b>	<b>732,939</b>	<b>-</b>	<b>732,939</b>	<b>(337)</b>	<b>2,728,455</b>
<b>CHANGE IN NET ASSETS</b>	<b>(376,850)</b>	<b>(49,522)</b>	<b>(426,372)</b>	<b>(132,602)</b>	<b>-</b>	<b>(132,602)</b>	<b>-</b>	<b>(558,974)</b>
Net Assets - Beginning	1,168,150	277,364	1,445,514	163,128	-	163,128	-	1,608,642
<b>NET ASSETS - ENDING</b>	<b>\$ 791,300</b>	<b>\$ 227,842</b>	<b>\$ 1,019,142</b>	<b>\$ 30,526</b>	<b>\$ -</b>	<b>\$ 30,526</b>	<b>\$ -</b>	<b>\$ 1,049,668</b>