

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF ACTIVITY	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
CONSOLIDATING INFORMATION	
CONSOLIDATING BALANCE SHEET	12
CONSOLIDATING STATEMENT OF ACTIVITY	13

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 Desiring God, a division of Bethlehem Baptist Church (including Children Desiring God, LLC), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of activity and cash flows for the years 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 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 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 Desiring God as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 12 and 13, 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
May 21, 2013

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,599,214	\$ 1,014,213
Accounts Receivable	7,983	46,555
Other Receivables	34,544	1,311
Prepaid Expenses	89,895	88,007
Inventory	113,502	421,814
Total Current Assets	1,845,138	1,571,900
PROPERTY AND EQUIPMENT		
Leasehold Improvements	261,013	261,013
Furnishings and Equipment	584,777	554,527
Total Leasehold Improvements and Equipment	845,790	815,540
Less: Accumulated Depreciation	(729,492)	(686,786)
Total Property and Equipment	116,298	128,754
Total Assets	\$ 1,961,436	\$ 1,700,654
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 73,604	\$ 98,198
Accrued Expenses	100,323	82,524
Deferred Revenue	178,867	150,317
Total Liabilities	352,794	331,039
NET ASSETS		
Unrestricted Net Assets	614,980	292,265
Unrestricted - Board Designated	600,000	450,000
Unrestricted - Property and Equipment	116,298	128,754
Total Unrestricted Net Assets	1,331,278	871,019
Temporarily Restricted Net Assets	277,364	498,596
Total Net Assets	1,608,642	1,369,615
Total Liabilities and Net Assets	\$ 1,961,436	\$ 1,700,654

See accompanying Notes to Consolidated Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			Percentage
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 3,038,064	\$ 24,930	\$ 3,062,994	50.8 %
Grants and Honoraria	203,095	-	203,095	3.4
Product Sales	1,837,778	-	1,837,778	30.5
Bookstore Revenue	240,836	-	240,836	4.0
Conference Revenue	636,756	-	636,756	10.6
Interest Income	2,095	-	2,095	-
Miscellaneous	40,172	-	40,172	0.7
Net Assets Released from Purpose Restriction	246,162	(246,162)	-	-
Total Support and Revenue	<u>6,244,958</u>	<u>(221,232)</u>	<u>6,023,726</u>	<u>100.0 %</u>
EXPENSES				
Program Expenses	4,531,178	-	4,531,178	78.3 %
Support Expenses:				
General and Administrative Expense	878,050	-	878,050	15.2
Fundraising Expense	375,471	-	375,471	6.5
Total Support Expenses	<u>1,253,521</u>	<u>-</u>	<u>1,253,521</u>	<u>21.7</u>
Total Expenses	<u>5,784,699</u>	<u>-</u>	<u>5,784,699</u>	<u>100.0 %</u>
CHANGE IN NET ASSETS	460,259	(221,232)	239,027	
Net Assets - Beginning	<u>871,019</u>	<u>498,596</u>	<u>1,369,615</u>	
NET ASSETS - ENDING	<u>\$ 1,331,278</u>	<u>\$ 277,364</u>	<u>\$ 1,608,642</u>	

See accompanying Notes to Consolidated Financial Statements.

2011

Unrestricted	Temporarily Restricted	Total	Percentage
\$ 2,512,962	\$ 323,567	\$ 2,836,529	42.4 %
222,950	-	222,950	3.3
2,236,299	-	2,236,299	33.4
556,448	-	556,448	8.3
814,146	-	814,146	12.2
1,315	-	1,315	-
24,804	-	24,804	0.4
113,032	(113,032)	-	-
<u>6,481,956</u>	<u>210,535</u>	<u>6,692,491</u>	<u>100.0 %</u>
4,978,742	-	4,978,742	74.7 %
1,079,630	-	1,079,630	16.2
604,572	-	604,572	9.1
<u>1,684,202</u>	<u>-</u>	<u>1,684,202</u>	<u>25.3</u>
<u>6,662,944</u>	<u>-</u>	<u>6,662,944</u>	<u>100.0 %</u>
(180,988)	210,535	29,547	
<u>1,052,007</u>	<u>288,061</u>	<u>1,340,068</u>	
<u>\$ 871,019</u>	<u>\$ 498,596</u>	<u>\$ 1,369,615</u>	

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 239,027	\$ 29,547
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	42,706	86,129
Gain on Sale of Property and Equipment	-	(1,758)
(Increase) Decrease in Current Assets:		
Accounts and Other Receivables	38,572	(16,171)
Prepaid Expenses	(1,888)	(46,225)
Inventory	262,253	35,579
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(24,594)	(21,097)
Accrued Expenses	17,799	(18,781)
Deferred Revenue	28,550	(13,805)
Net Cash Provided by Operating Activities	<u>602,425</u>	<u>33,418</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on Sale of Property and Equipment	-	3,000
Payments Received on Note Receivable	12,826	-
Purchases of Property and Equipment	<u>(30,250)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(17,424)</u>	<u>3,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	585,001	36,418
Cash and Cash Equivalents - Beginning of Year	<u>1,014,213</u>	<u>977,795</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,599,214</u>	<u>\$ 1,014,213</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Sale of Inventory for Note Receivable	<u>\$ 46,059</u>	<u>\$ -</u>

See accompanying Notes to Consolidated Financial Statements.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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.

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
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011, 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 years ended December 31, 2012 and 2011 was \$42,706 and \$86,129, respectively.

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
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expense

Advertising expenses are expensed as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was \$94,322 and \$62,030, respectively.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 21, 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 December 31:

	2012	2011
Restricted to Purpose:		
Building Capacity Project	\$ 198,937	\$ 198,937
Book Projects	44,697	169,521
Audio and CD Projects	5,540	7,385
Websites	25,567	72,562
Other	2,623	50,191
Total	\$ 277,364	\$ 498,596

Net assets released from purpose restrictions during the years ended December 31, 2012 and 2011 were \$246,162 and \$113,032, respectively.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 years ended December 31, 2012 and 2011 was \$112,651 and \$132,777, respectively.

Subsequent to year-end, 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.

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 \$350,000 at December 31, 2012.

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 \$38,997 and \$37,929 as of December 31, 2012 and 2011, respectively.

NOTE 7 RELATED PARTIES

Desiring God is a division of Bethlehem Baptist Church. During the years ended December 31, 2012 and 2011, Desiring God received \$39,451 and \$47,132, respectively, from Bethlehem Baptist Church and paid \$9,107 and \$21,641, respectively, to Bethlehem Baptist Church for purchases, reimbursements and donations.

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 years ended December 31, 2012 and 2011, expenses for services from this company totaled \$160,972 and \$249,420, respectively.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 7 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 each year in the amount of \$200,000 during the years ended December 31, 2012 and 2011.

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. Desiring God recognized a gain on the sale of \$5,090, which is included in other income on the consolidated statement of activity. The note is 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 \$34,544 at December 31, 2012. Bethlehem College & Seminary is current on its monthly payments, and no allowance is deemed necessary.

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 December 31, 2012 and 2011.

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012
(UNAUDITED)

ASSETS	Desiring God	Children Desiring God	Eliminations	2012 Total	2011 Total
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,465,606	\$ 133,608	\$ -	\$ 1,599,214	\$ 1,014,213
Accounts Receivable	2,570	5,413	-	7,983	46,555
Other Receivables	39,246	-	(4,702)	34,544	1,311
Prepaid Expenses	75,254	14,641	-	89,895	88,007
Inventory	67,726	45,776	-	113,502	421,814
Total Current Assets	<u>1,650,402</u>	<u>199,438</u>	<u>(4,702)</u>	<u>1,845,138</u>	<u>1,571,900</u>
PROPERTY AND EQUIPMENT					
Building Improvements	261,013	-	-	261,013	261,013
Furnishings and Equipment	537,434	47,343	-	584,777	554,527
Total Building Improvements and Equipment	<u>798,447</u>	<u>47,343</u>	<u>-</u>	<u>845,790</u>	<u>815,540</u>
Less: Accumulated Depreciation	(713,704)	(15,788)	-	(729,492)	(686,786)
Total Property and Equipment	<u>84,743</u>	<u>31,555</u>	<u>-</u>	<u>116,298</u>	<u>128,754</u>
Total Assets	<u>\$ 1,735,145</u>	<u>\$ 230,993</u>	<u>\$ (4,702)</u>	<u>\$ 1,961,436</u>	<u>\$ 1,700,654</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 30,628	\$ 47,678	\$ (4,702)	\$ 73,604	\$ 98,198
Accrued Expenses	94,956	5,367	-	100,323	82,524
Deferred Revenue	164,047	14,820	-	178,867	150,317
Total Liabilities	<u>289,631</u>	<u>67,865</u>	<u>(4,702)</u>	<u>352,794</u>	<u>331,039</u>
NET ASSETS					
Unrestricted Net Assets	483,407	118,221	-	601,628	292,265
Unrestricted - Board Designated	600,000	13,352	-	613,352	450,000
Unrestricted - Property and Equipment	84,743	31,555	-	116,298	128,754
Total Unrestricted Net Assets	<u>1,168,150</u>	<u>163,128</u>	<u>-</u>	<u>1,331,278</u>	<u>871,019</u>
Temporarily Restricted Net Assets	277,364	-	-	277,364	498,596
Total Net Assets	<u>1,445,514</u>	<u>163,128</u>	<u>-</u>	<u>1,608,642</u>	<u>1,369,615</u>
Total Liabilities and Net Assets	<u>\$ 1,735,145</u>	<u>\$ 230,993</u>	<u>\$ (4,702)</u>	<u>\$ 1,961,436</u>	<u>\$ 1,700,654</u>

DESIRING GOD
A DIVISION OF BETHLEHEM BAPTIST CHURCH
CONSOLIDATING STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	2012 Desiring God			2012 Children Desiring God			Eliminations	2012 Total
	Unrestricted	Temporarily Restricted	2012 Total	Unrestricted	Temporarily Restricted	2012 Total		
SUPPORT AND REVENUE								
Contributions	\$ 3,020,903	\$ 24,930	\$ 3,045,833	\$ 21,645	\$ -	\$ 21,645	\$ (4,484)	\$ 3,062,994
Grants and Honoraria	202,995	-	202,995	100	-	100	-	203,095
Product Sales	628,943	-	628,943	1,208,835	-	1,208,835	-	1,837,778
Bookstore Revenue	240,836	-	240,836	-	-	-	-	240,836
Conference Revenue	636,756	-	636,756	-	-	-	-	636,756
Interest Income	1,209	-	1,209	886	-	886	-	2,095
Miscellaneous	58,479	-	58,479	-	-	-	(18,307)	40,172
Net Assets Released from Purpose Restriction	236,162	(236,162)	-	10,000	(10,000)	-	-	-
Total Support and Revenue	5,026,283	(211,232)	4,815,051	1,241,466	(10,000)	1,231,466	(22,791)	6,023,726
EXPENSES								
Program Expenses	3,564,270	-	3,564,270	971,392	-	971,392	(4,484)	4,531,178
Support Expenses:								
General and Administrative Expense	609,179	-	609,179	287,178	-	287,178	(18,307)	878,050
Fundraising Expense	375,471	-	375,471	-	-	-	-	375,471
Total Support Expenses	984,650	-	984,650	287,178	-	287,178	(18,307)	1,253,521
Total Expenses	4,548,920	-	4,548,920	1,258,570	-	1,258,570	(22,791)	5,784,699
CHANGE IN NET ASSETS	477,363	(211,232)	266,131	(17,104)	(10,000)	(27,104)	-	239,027
Net Assets - Beginning	690,787	488,596	1,179,383	180,232	10,000	190,232	-	1,369,615
NET ASSETS - ENDING	<u>\$ 1,168,150</u>	<u>\$ 277,364</u>	<u>\$ 1,445,514</u>	<u>\$ 163,128</u>	<u>\$ -</u>	<u>\$ 163,128</u>	<u>\$ -</u>	<u>\$ 1,608,642</u>