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The Board of Directors
Ligonier Ministries, Inc.
Lake Mary, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Ligonier Ministries, Inc. ("the Ministry") as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Ministry'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 audits 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 Ligonier Ministries, Inc. as of December 31, 2006 and 2005, 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.

Batts, Morrison, Wales & Lee, P.A.

BATTS, MORRISON, WALES & LEE, P.A.

May 8, 2007

LIGONIER MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2006	2005
ASSETS		
Cash and cash equivalents	\$ 983,918	\$ 1,349,746
Cash – special deposit account	98,231	113,085
Restricted cash and investments	10,000	10,000
Inventories	1,154,599	1,162,163
Prepaid expenses	325,571	237,159
Property and equipment, net	6,503,595	6,888,098
Deposits	502,200	502,200
Other assets	145,285	163,911
Total assets	\$ 9,723,399	\$10,426,362

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 970,404	\$ 513,197
Deferred revenue	456,992	290,276
Notes payable and capital lease obligation	3,644,785	4,750,351
Interest rate swap contract, at fair market value	20,564	40,184
Total liabilities	5,092,745	5,594,008
NET ASSETS		
Unrestricted	4,607,159	4,805,994
Temporarily restricted	13,495	16,360
Permanently restricted	10,000	10,000
Total net assets	4,630,654	4,832,354
Total liabilities and net assets	\$ 9,723,399	\$10,426,362

The Accompanying Notes are an Integral
Part of These Financial Statements

LIGONIER MINISTRIES, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended December 31,	
	2006	2005
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue:		
Contributions	\$ 8,381,500	\$ 9,236,166
Product sales	3,272,380	4,584,050
Conference registration and fees	583,860	478,109
Other revenue	344,093	172,922
Total public support and revenue	12,581,833	14,471,247
Net assets released from restrictions:		
Satisfaction of use restrictions	77,852	164,164
Total public support and revenue and net assets released from restrictions	12,659,685	14,635,411
Expenses:		
Program activities:		
Ministry activities	8,589,715	9,437,849
Cost of products sold	1,154,845	1,350,619
Total program activities	9,744,560	10,788,468
Supporting activities:		
General and administrative	1,873,461	1,367,139
Development	1,260,119	1,608,407
Total supporting activities	3,133,580	2,975,546
Total expenses	12,878,140	13,764,014
Change in unrestricted net assets before change in fair market value of interest rate swap contract	(218,455)	871,397
Change in fair market value of interest rate swap contract	19,620	(40,184)
Change in unrestricted net assets	(198,835)	831,213
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	74,987	132,951
Net assets released from restrictions	(77,852)	(164,164)
Change in temporarily restricted net assets	(2,865)	(31,213)
CHANGE IN NET ASSETS	(201,700)	800,000
NET ASSETS – Beginning of year	4,832,354	4,032,354
NET ASSETS – End of year	\$ 4,630,654	\$ 4,832,354

The Accompanying Notes are an Integral
Part of These Financial Statements

LIGONIER MINISTRIES, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (201,700)	\$ 800,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	546,564	458,507
Change in cash – special deposit account	14,854	9,692
Change in inventories	7,564	(329,049)
Change in prepaid expenses	(88,412)	216,682
Change in other assets	12,667	(61,434)
Change in accounts payable and accrued expenses	457,207	(151,901)
Change in deferred revenue	166,716	(25,439)
Change in fair market value of interest rate swap contract	(19,620)	40,184
Net cash flows from operating activities	<u>895,840</u>	<u>957,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and improvements to property and equipment	(156,102)	(4,463,391)
Land purchase deposits	—	(300,000)
Net cash flows from investing activities	<u>(156,102)</u>	<u>(4,763,391)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	390,000	4,826,333
Repayments of notes payable and capital lease obligation	(1,495,566)	(941,441)
Net cash flows from financing activities	<u>(1,105,566)</u>	<u>3,884,892</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(365,828)	78,743
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,349,746</u>	<u>1,271,003</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 983,918</u>	<u>\$ 1,349,746</u>

SUPPLEMENTAL DISCLOSURES:

Interest paid amounted to approximately \$274,000 and \$272,000 for 2006 and 2005, respectively.

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Ligonier Ministries, Inc. (“the Ministry”) is a not-for-profit Pennsylvania corporation, with headquarters in Lake Mary, Florida. The Ministry promotes Christian theological education and scholarship. In so doing, the Ministry produces radio programs for broadcast, conducts conferences, sells books, audio and video media, magazines, and curriculum, and publishes books, music, and teaching and sermon series.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Ministry considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Cash – special deposit account

The Ministry maintains a special cash deposit account with a certain lender, as further described in Note E.

Restricted cash and investments

Restricted cash and investments consist of amounts held which are restricted for a certain endowment.

Inventories

Inventories consist primarily of audio and video media, books and curriculum materials. Inventories are stated at the lower of cost or market using the first-in, first-out inventory cost-flow assumption.

Depreciation

Property and equipment are stated at cost, if purchased, or fair market value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Deferred revenue

Deferred revenue consists of magazine subscriptions and advance conference registrations. Subscriptions to the Ministry’s magazine are made in one-, two- and three-year intervals. The future portion of revenue relating to these subscriptions is deferred and recognized in the period earned.

Income taxes

The Ministry is exempt from federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Ministry has not incurred unrelated business income taxes.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the useful lives of property and equipment and the value assigned to the interest rate swap contract. Actual results could differ from the estimates.

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C - CONCENTRATION OF CREDIT RISK

The Ministry maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Ministry has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 2,055,953	\$ 2,055,953
Buildings and improvements	3,656,568	3,646,373
Furniture and equipment	2,388,257	2,307,386
Production equipment and tape masters	1,647,015	1,671,310
Media masters under development	165,031	147,774
Construction in progress	<u>6,439</u>	<u>—</u>
Total property and equipment	9,919,263	9,828,796
Less: Accumulated depreciation	<u>(3,415,668)</u>	<u>(2,940,698)</u>
Net property and equipment	<u>\$ 6,503,595</u>	<u>\$ 6,888,098</u>

Depreciation expense was approximately \$541,000 and \$454,000 for 2006 and 2005, respectively.

NOTE E – NOTES PAYABLE AND CAPITAL LEASE OBLIGATION

Notes payable and capital lease obligation consisted of the following:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Note payable to a bank, interest only payable monthly through April 2006, thereafter, varying principal payments plus interest at one month LIBOR plus 1.55% payable monthly, secured by a mortgage on certain real property and certain personal property, maturing in April 2016	\$ 3,112,164	\$ 3,200,000
Revolving line of credit up to \$800,000, interest payable monthly at the bank's prime rate, secured by substantially all assets of the Ministry, due on demand	—	799,991
Note payable to a revocable trust, payable in monthly payments of \$12,978 including interest at 7.5%, secured by a mortgage on certain real property and guaranteed by a board member of the Ministry, maturing in August 2014, with certain prepayment options	447,171	603,565
Note payable to a bank, payable in monthly payments of \$2,488 including interest at 5.5%, secured by certain equipment, maturing in October 2008	47,437	76,002
Obligation under capital lease, monthly payments of \$3,037 including interest at 6.55%, secured by certain equipment, matures in January 2008	<u>38,013</u>	<u>70,793</u>
Total notes payable and capital lease obligation	<u>\$ 3,644,785</u>	<u>\$ 4,750,351</u>

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE AND CAPITAL LEASE OBLIGATION (Continued)

Approximate future maturities of notes payable and capital lease obligation are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$ 360,000
2008	337,000
2009	202,000
2010	128,000
2011	132,000
Thereafter	<u>2,486,000</u>
Total	<u>\$ 3,645,000</u>

Interest expense amounted to approximately \$274,000 and \$272,000 for 2006 and 2005, respectively.

Pursuant to the mortgage agreement and related personal guarantee noted above, the Ministry is required to place \$24,386 per month into a special deposit account until the mortgage matures or is paid in full. The Ministry is required to use these funds to pay for: (1) principal and interest on the mortgage note; (2) real estate and sales taxes on the subject mortgaged property, if any; (3) operating expenses directly related to the property; and (4) prepayments on the mortgage note.

NOTE F – INTEREST RATE SWAP CONTRACT

During the year ended December 31, 2005, the Ministry entered into an interest rate swap contract with a bank to reduce the impact of changes in the variable rate of a certain note payable. The interest rate swap contract matures on April 1, 2016. The contract effectively fixes the Ministry’s interest rate exposure on decreasing notional amounts totaling \$1,574,867 and \$1,600,000 as of December 31, 2006 and 2005, respectively, to 6.77% per year. The value of the interest rate swap contract was a liability of \$20,564 and \$40,184 as of December 31, 2006 and 2005, respectively, based on the “unwind fee” the Ministry would pay the bank to cancel the interest rate swap contract. The change in the fair market value of the contract is reported in the accompanying statements of activities as “change in fair market value of interest rate swap contract.”

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
Conference scholarships	\$ 9,551	\$ 12,399
Video tape library	3,944	3,944
Other	<u>—</u>	<u>17</u>
Total temporarily restricted net assets	<u>\$ 13,495</u>	<u>\$ 16,360</u>

Permanently restricted net assets consist of an endowment fund, the income from which is restricted for conference scholarships.

NOTE H – RETIREMENT PLAN

The Ministry contributes to a 401(k) profit-sharing plan (“the Plan”). Eligible employees may make elective deferral contributions to the Plan. Employer contributions to the Plan are discretionary. The Ministry contributed approximately \$79,000 and \$64,600 to the Plan during 2006 and 2005, respectively.

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I – COMMITMENTS

The Ministry has available an \$800,000 line of credit with a bank. The line of credit bears interest at the bank's prime rate and expires in November 2007. There was no outstanding balance on this line of credit as of December 31, 2006.

As of December 31, 2006, the Ministry was a party to a contract for the purchase of land in the amount of \$3,800,000, scheduled to close in 2007. The Ministry has paid a total of \$500,000 in deposits on this contract as of December 31, 2006.

The Ministry is obligated under a noncancellable operating lease for certain facilities. Approximate future payments due under this lease are as follows:

Year Ending
December 31,

2007

\$ 68,600

Total rent expense, including that related to the lease described above, was approximately \$365,000 and \$167,000 for 2006 and 2005, respectively.

As of December 31, 2006, the Ministry was a party to several licensing agreements related to its publishing activities, requiring the Ministry to make annual royalty payments ranging from 10% to 20% of related net sales of the published items. For the year ended December 31, 2006, the Ministry accrued approximately \$150,000 related to these agreements.