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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, 2007 and 2006, 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, 2007 and 2006, 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 29, 2008

LIGONIER MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,946,520	\$ 983,918
Cash – special deposit account	99,164	98,231
Restricted cash and investments	10,000	10,000
Inventories	1,113,628	1,154,599
Prepaid expenses	319,002	325,571
Property and equipment, net	13,133,811	6,503,595
Deposits	13,553	502,200
Other assets	107,844	145,285
Total assets	\$16,743,522	\$ 9,723,399

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 962,316	\$ 970,404
Deferred revenue	413,103	456,992
Notes payable	6,808,976	3,644,785
Interest rate swap contract, at estimated fair market value	82,230	20,564
Total liabilities	8,266,625	5,092,745
NET ASSETS		
Unrestricted	8,449,172	4,607,159
Temporarily restricted	17,725	13,495
Permanently restricted	10,000	10,000
Total net assets	8,476,897	4,630,654
Total liabilities and net assets	\$16,743,522	\$ 9,723,399

The Accompanying Notes are an Integral
Part of These Financial Statements

LIGONIER MINISTRIES, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended December 31,	
	2007	2006
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue:		
Contributions	\$ 9,271,311	\$ 8,381,500
Contribution recognized in connection with a bargain purchase of real estate	3,089,077	—
Product sales	3,664,589	3,272,380
Conference registration and fees	887,746	583,860
Other revenue	<u>495,042</u>	<u>344,093</u>
Total public support and revenue	17,407,765	12,581,833
Net assets released from restrictions:		
Satisfaction of use restrictions	<u>160,271</u>	<u>77,852</u>
Total public support and revenue and net assets released from restrictions	<u>17,568,036</u>	<u>12,659,685</u>
Expenses:		
Program activities:		
Ministry activities	8,930,030	8,589,715
Cost of products sold	<u>941,726</u>	<u>1,154,845</u>
Total program activities	<u>9,871,756</u>	<u>9,744,560</u>
Supporting activities:		
General and administrative	2,056,902	1,873,461
Development	<u>1,735,699</u>	<u>1,260,119</u>
Total supporting activities	<u>3,792,601</u>	<u>3,133,580</u>
Total expenses	<u>13,664,357</u>	<u>12,878,140</u>
Change in unrestricted net assets before change in fair market value of interest rate swap contract	3,903,679	(218,455)
Change in estimated fair market value of interest rate swap contract	<u>(61,666)</u>	<u>19,620</u>
Change in unrestricted net assets	<u>3,842,013</u>	<u>(198,835)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	164,501	74,987
Net assets released from restrictions	<u>(160,271)</u>	<u>(77,852)</u>
Change in temporarily restricted net assets	<u>4,230</u>	<u>(2,865)</u>
CHANGE IN NET ASSETS	3,846,243	(201,700)
NET ASSETS – Beginning of year	<u>4,630,654</u>	<u>4,832,354</u>
NET ASSETS – End of year	<u>\$ 8,476,897</u>	<u>\$ 4,630,654</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

LIGONIER MINISTRIES, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,846,243	\$ (201,700)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contribution recognized in connection with a bargain purchase of real estate	(3,089,077)	—
Gain on sale of property	(205,802)	—
Depreciation and amortization	526,927	546,564
Change in cash – special deposit account	(933)	14,854
Change in inventories	40,971	7,564
Change in prepaid expenses	6,569	(88,412)
Change in deposits	(11,353)	—
Change in other assets	30,821	12,667
Change in accounts payable and accrued expenses	(8,088)	457,207
Change in deferred revenue	(43,889)	166,716
Change in estimated fair market value of interest rate swap contract	61,666	(19,620)
Net cash flows from operating activities	<u>1,154,055</u>	<u>895,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and improvements to property and equipment	(3,871,004)	(156,102)
Proceeds from sale of property	515,360	—
Net cash flows from investing activities	<u>(3,355,644)</u>	<u>(156,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	4,566,430	390,000
Repayments of notes payable	(1,402,239)	(1,495,566)
Net cash flows from financing activities	<u>3,164,191</u>	<u>(1,105,566)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	962,602	(365,828)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>983,918</u>	<u>1,349,746</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,946,520</u>	<u>\$ 983,918</u>

SUPPLEMENTAL DISCLOSURE:

Interest paid amounted to approximately \$246,000 and \$274,000 for 2007 and 2006, 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 and other media that advance the Ministry’s exempt religious and educational purposes.

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. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 unearned revenue from 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 periods 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. The Ministry is further classified as a public charity and not a private foundation for federal tax purposes. The Ministry has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

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 estimated fair market 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:

Category	December 31,	
	2007	2006
Land	\$ 4,467,588	\$ 2,055,953
Buildings and improvements	8,081,689	3,656,568
Furniture and equipment	2,474,590	2,388,257
Production equipment and tape masters	1,891,750	1,647,015
Media masters under development	65,897	165,031
Construction in progress	60,302	6,439
Total property and equipment	17,041,816	9,919,263
Less: Accumulated depreciation	(3,908,005)	(3,415,668)
Net property and equipment	\$13,133,811	\$ 6,503,595

Depreciation expense was approximately \$520,000 and \$541,000 for 2007 and 2006, respectively.

NOTE E – NOTES PAYABLE

Notes payable consisted of the following:

	December 31,	
	2007	2006
Note payable to a bank up to \$4,000,000, interest only payable monthly through December 2009; thereafter, fixed principal payments plus interest at one-month LIBOR plus 1.55% payable monthly, secured by a mortgage on certain real property, maturing December 2014	\$ 3,512,430	\$ —
Note payable to a bank, varying principal payments plus interest at one-month LIBOR plus 1.55% payable monthly, secured by a mortgage on certain real property, maturing April 2016	3,002,835	3,112,164
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 August 2014, with certain prepayment options	268,777	447,171
Note payable to a bank, payable in monthly payments of \$2,488 including interest at 5.5%, secured by certain equipment, maturing October 2008	21,913	47,437
Other	3,021	38,013
Total notes payable	\$ 6,808,976	\$ 3,644,785

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$ 340,000
2009	202,000
2010	304,000
2011	307,000
2012	310,000
Thereafter	<u>5,346,000</u>
Total	<u>\$ 6,809,000</u>

Interest expense amounted to approximately \$246,000 and \$274,000 for 2007 and 2006, 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

The Ministry has 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 on decreasing notional amounts totaling \$1,536,168 and \$1,574,867 as of December 31, 2007 and 2006, respectively, at 6.77% per year. The estimated fair market value of the interest rate swap contract was a liability of \$82,230 and \$20,564 as of December 31, 2007 and 2006, respectively, based on the “unwind fee” the Ministry would pay the bank to cancel the interest rate swap contract. The change in the estimated fair market value of the contract is reported in the accompanying statements of activities as “change in estimated 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>2007</u>	<u>2006</u>
Conference scholarships	\$ 9,551	\$ 9,551
Media library	3,944	3,944
Other	<u>4,230</u>	<u>—</u>
Total temporarily restricted net assets	<u>\$ 17,725</u>	<u>\$ 13,495</u>

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

LIGONIER MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

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 \$87,000 and \$79,000 to the Plan during 2007 and 2006, respectively.

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 December 2008. There was no outstanding balance on this line of credit as of December 31, 2007 or 2006.

Total rent expense was approximately \$317,000 and \$365,000 for 2007 and 2006, respectively.

As of December 31, 2007, the Ministry was a party to several licensing agreements with unrelated parties related to its publishing activities, requiring the Ministry to make annual royalty payments ranging from 5% to 40% of related net sales of the published items. For 2007 and 2006, the Ministry had royalty expense of approximately \$143,000 and \$40,000, respectively, related to these agreements. As of December 31, 2007, approximately \$103,000 is included in accounts payable and accrued expenses related to these agreements.

NOTE J – RELATED PARTY TRANSACTIONS

The Ministry is party to several licensing agreements with the Ministry’s President related to its publishing activities, requiring the Ministry to make annual royalty payments ranging from 10% to 12% of related net sales of the published items. In connection with these agreements, the Ministry paid its President \$150,610 during 2007. As of December 31, 2007, \$140,939 is included in accounts payable and accrued expenses related to these agreements.

During 2007, the Ministry purchased certain real property from an individual who is a member of the Ministry’s Board of Directors. The contract to purchase the property was executed prior to the individual becoming a member of the board. The purchase price was substantially less than the fair market value of the property at the date of closing as estimated by an independent appraisal. Contribution revenue for 2007 includes \$3,089,077 related to this transaction.