



LIGONIER MINISTRIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Ligonier Ministries, Inc.
Sanford, Florida

We have audited the accompanying consolidated financial statements of Ligonier Ministries, Inc. ("the Ministry"), which consist of the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's 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 audits 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 auditor's 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 Ministry'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 Ministry'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ligonier Ministries, Inc. as of December 31, 2018 and 2017, the changes in its consolidated net assets, and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating statement of financial position as of December 31, 2018, and the related supplemental consolidating statements of activities and cash flows for the year then ended, which are the responsibility of management, are presented for purposes of additional analysis and are 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 consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
September 26, 2019

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LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 9,638,974	\$ 2,176,602
Cash restricted for long-term purposes	2,510,721	7,341,936
Investments	6,398,785	—
Inventories	1,583,737	1,862,207
Life insurance proceeds receivable	—	4,000,000
Property and equipment, net	23,325,019	17,445,715
Other assets	1,059,108	913,802
Intellectual property rights	1,687,066	—
Total assets	\$ 46,203,410	\$ 33,740,262

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 2,847,295	\$ 2,232,332
Deferred revenue	1,553,875	1,525,599
Obligation under intellectual property rights agreement	1,487,066	—
Notes payable	3,750,868	4,281,808
Total liabilities	9,639,104	8,039,739
NET ASSETS		
Without donor restrictions	31,932,455	17,908,379
With donor restrictions	4,631,851	7,792,144
Total net assets	36,564,306	25,700,523
Total liabilities and net assets	\$ 46,203,410	\$ 33,740,262

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended December 31, 2018			For The Year Ended December 31, 2017
	Without donor restrictions	With donor restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions without donor restrictions	\$ 19,465,914	\$ —	\$ 19,465,914	\$ 17,871,186
Contributions with donor restrictions	—	4,016,270	4,016,270	4,902,658
Ministry media revenue	4,587,345	—	4,587,345	4,550,117
Conference registrations	1,058,526	—	1,058,526	864,247
Tuition and fees, net	925,880	—	925,880	841,936
Other revenue	364,518	—	364,518	237,054
Revenue from life insurance settlement	—	—	—	4,000,000
Net assets released from restrictions	<u>7,176,563</u>	<u>(7,176,563)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>33,578,746</u>	<u>(3,160,293)</u>	<u>30,418,453</u>	<u>33,267,198</u>
EXPENSES				
Program activities				
Ministry activities	18,222,863	—	18,222,863	15,905,750
Cost of ministry media and donor fulfillment	<u>2,165,744</u>	<u>—</u>	<u>2,165,744</u>	<u>1,418,509</u>
Total program activities	<u>20,388,607</u>	<u>—</u>	<u>20,388,607</u>	<u>17,324,259</u>
Supporting activities				
Development	3,121,244	—	3,121,244	4,178,000
General and administrative	<u>2,948,893</u>	<u>—</u>	<u>2,948,893</u>	<u>3,060,832</u>
Total supporting activities	<u>6,070,137</u>	<u>—</u>	<u>6,070,137</u>	<u>7,238,832</u>
Reduction in carrying value of software development project	<u>—</u>	<u>—</u>	<u>—</u>	<u>886,213</u>
Total expenses	<u>26,458,744</u>	<u>—</u>	<u>26,458,744</u>	<u>25,449,304</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGE	7,120,002	(3,160,293)	3,959,709	7,817,894
Gain on disposition of property pursuant to eminent domain claim	<u>6,904,074</u>	<u>—</u>	<u>6,904,074</u>	<u>—</u>
Change in net assets without donor restrictions	14,024,076	—	14,024,076	3,640,171
Change in net assets with donor restrictions	<u>—</u>	<u>(3,160,293)</u>	<u>(3,160,293)</u>	<u>4,177,723</u>
CHANGE IN NET ASSETS	14,024,076	(3,160,293)	10,863,783	7,817,894
NET ASSETS - Beginning of year	<u>17,908,379</u>	<u>7,792,144</u>	<u>25,700,523</u>	<u>17,882,629</u>
NET ASSETS - End of year	<u>\$ 31,932,455</u>	<u>\$ 4,631,851</u>	<u>\$ 36,564,306</u>	<u>\$ 25,700,523</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended
December 31,

	2018	2017
OPERATING CASH FLOWS		
Cash received from contributors	\$ 21,743,154	\$ 18,480,904
Cash received from sales of ministry media	4,670,822	4,497,420
Cash received from student tuition and conferences	1,929,205	1,730,991
Proceeds from life insurance settlement	4,000,000	—
Other revenue received	364,518	237,054
Cash paid for operating activities and costs	(24,912,210)	(22,873,790)
Interest paid	(156,797)	(189,950)
	7,638,692	1,882,629
INVESTING CASH FLOWS		
Net release of (investment in) assets held for long-term purposes	4,831,215	(3,993,410)
Proceeds from eminent domain claim	7,294,093	—
Purchases of investments	(6,398,785)	—
Purchases of and improvements to property and equipment	(7,110,933)	(1,222,621)
	(1,384,410)	(5,216,031)
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment and endowment	1,739,030	4,292,940
Borrowings	—	900,000
Repayments	(530,940)	(1,410,929)
	1,208,090	3,782,011
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,462,372	448,609
CASH AND CASH EQUIVALENTS - Beginning of year	2,176,602	1,727,993
CASH AND CASH EQUIVALENTS - End of year	\$ 9,638,974	\$ 2,176,602
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 10,863,783	\$ 7,817,894
Adjustments to reconcile change in net assets to net operating cash flows		
Contributions restricted for investment in property and equipment and endowment	(1,739,030)	(4,292,940)
Change in life insurance proceeds receivable	4,000,000	(4,000,000)
Reduction in carrying value of software development project	—	886,213
Change in intellectual property rights	(1,687,066)	—
Change in obligation under intellectual property rights agreement	1,487,066	—
Gain on disposition of property pursuant to eminent domain claim	(6,904,074)	—
Depreciation and amortization	933,371	960,531
Change in inventories	278,470	122,511
Change in other assets	(237,067)	171,622
Change in accounts payable and accrued expenses	614,963	244,687
Change in deferred revenue	28,276	(27,889)
	\$ 7,638,692	\$ 1,882,629

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program activities		Supporting activities		Total expenses
	Ministry activities	Cost of ministry media and donor fulfillment	Development	General and administrative	
Salaries and benefits	\$ 8,526,118	\$ —	\$ 783,638	\$ 1,452,245	\$ 10,762,001
Office expenses	2,055,329	—	1,344,906	124,975	3,525,210
Professional services and fees	1,781,492	—	105,705	343,256	2,230,453
Cost of goods	—	2,165,744	—	—	2,165,744
Travel and events	998,986	—	275,331	43,810	1,318,127
Publications and printing	516,113	—	496,613	3,107	1,015,833
Advertising and promotions	996,850	—	2,284	—	999,134
Depreciation, amortization, and interest	843,300	—	27,099	67,749	938,148
Airtime	871,276	—	—	—	871,276
Occupancy	527,035	—	10,695	208,032	745,762
Information technology	189,852	—	28,010	429,270	647,132
Miscellaneous	356,169	—	15,465	207,351	578,985
Religious media distribution	347,658	—	27,231	—	374,889
Royalties	187,520	—	—	—	187,520
Legal fees	—	—	—	67,435	67,435
Dues and subscriptions	25,165	—	4,267	1,663	31,095
Total	\$ 18,222,863	\$ 2,165,744	\$ 3,121,244	\$ 2,948,893	\$ 26,458,744

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Ligonier Ministries, Inc. (“the Ministry”) is a not-for-profit Pennsylvania corporation, with headquarters in Sanford, 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, curriculum, and publishes books and other media that advance the Ministry’s exempt religious and educational purposes.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Ministry include the accounts of the following organizations, which are separate legal entities:

- Ligonier Academy of Biblical and Theological Studies, Inc. (“the Academy”) is a Florida not-for-profit corporation whose purpose is to provide theological education through certificate programs, graduate degree programs, and an undergraduate program. The Ministry has the authority to appoint the members of the Academy’s governing body.
- Ligonier Property Holdings, Inc. (“Property Holdings”) is a Florida not-for-profit corporation formed in 2014 whose purpose is to hold title to certain real property and to support the Ministry. The Ministry has the authority to appoint the members of Property Holdings’ governing body. Property Holdings had no financial activity during 2018 or 2017.

These entities are collectively referred to herein as “the Ministry.” All significant interorganization transactions and balances have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Ministry recognizes cash contributions as revenue when the contributions are received by the Ministry. Contributions received are recorded as without or with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as “net assets released from restrictions.”

Tuition and fees for the Academy are reported net of discounts for students who are provided financial assistance in the form of reduced tuition. Tuition is recognized ratably through the Academy’s academic year. All other revenue is recognized in the period earned.

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 restricted for long-term purposes

Cash restricted for long-term purposes consisted of amounts held which are restricted for capital projects and endowments.

Investments

Investments are stated at estimated fair value.

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.

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

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

Intangible assets

Certain intellectual property rights and the related obligation in the accompanying consolidated financial statements arose out of the agreement described in Note H. The intellectual property rights have an indefinite useful life, and accordingly, no related amortization expense is recognized in the accompanying consolidated financial statements.

Deferred revenue

Deferred revenue consists of unearned revenue from Academy tuition, magazine subscriptions, and conference registrations received in advance of the event. 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.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Ministry, the Academy, and Property Holdings are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Ministry, the Academy, and Property Holdings are further classified as public charities and not as private foundations for federal tax purposes. The entities have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

Use of estimates

Management uses estimates and assumptions in preparing consolidated 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 consolidated financial statements include those related to the fair value of investments, the useful lives of property and equipment, and the asset and liability related to intellectual property rights. Actual results could differ from the estimates.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Ministry's consolidated financial statements for the year ended December 31, 2018. The ASU requires various changes to the presentation of financial statements of not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity's liquidity and availability of resources. The adoption of the ASU had no effect on the Ministry's net assets as of January 1, 2017 or the consolidated change in net assets for the year ended December 31, 2017. As allowed by applicable guidance, the Ministry has chosen not to retrospectively apply provisions not required to be applied to the 2017 consolidated financial statements.

LIGONIER MINISTRIES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through September 26, 2019, the date as of which the consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the consolidated statement of financial position for general expenditure are as follows:

Cash and cash equivalents	\$ 9,638,974
Cash restricted for long-term purposes	2,510,721
Investments	<u>6,398,785</u>
Total financial assets available within one year	18,548,480
Less:	
Amounts unavailable for general expenditure within one year, amounts held as endowments	(410,000)
Amounts unavailable for general expenditure within one year, due to donor-imposed restrictions limiting use to capital projects	<u>(2,100,721)</u>
Net financial assets available within one year	<u>\$16,037,759</u>

The Ministry is primarily supported by contributions. As part of the Ministry’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Certain donor-restricted net assets are available for general expenditure within one year of December 31, 2018, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Ministry in the coming year. Management of the Ministry believes the Ministry has sufficient cash available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need. The Ministry also has a revolving line of credit in an amount up to \$4,000,000 as an available source of liquidity, which is further described in Note L.

NOTE D – CONCENTRATIONS

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.

The Ministry’s notes payable are held by a single bank.

NOTE E – INVESTMENTS

Investments consisted of the following:

Category	December 31,	
	2018	2017
U.S. Treasury bills	\$ 6,389,868	—
Mutual funds	<u>8,917</u>	<u>—</u>
Total investments	<u>\$ 6,398,785</u>	<u>\$ —</u>

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – INVESTMENTS (Continued)

U.S. GAAP defines fair value for an investment as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Estimated fair value of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury bills	\$ 6,389,868	\$ 6,389,868	\$ —	\$ —
Mutual funds	<u>8,917</u>	<u>8,917</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$ 6,398,785</u>	<u>\$ 6,398,785</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE F – LIFE INSURANCE

The Ministry’s founder, Dr. R.C. Sproul, passed away during 2017. The Ministry was the beneficiary under two separate life insurance policies totaling \$4,000,000 on the life of Dr. Sproul. Such amounts are included in “life insurance proceeds receivable” and “revenue from life insurance settlement” in the accompanying consolidated financial statements. The Ministry collected the full policy amounts in 2018.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 3,888,569	\$ 4,278,588
Buildings and improvements	11,289,987	11,289,987
Furniture and equipment	5,767,214	5,162,316
Production equipment and media masters	5,876,297	5,445,807
Media masters under development	562,225	425,630
Construction in progress	<u>6,948,460</u>	<u>991,510</u>
Total property and equipment	34,332,752	27,593,838
Less: Accumulated depreciation	<u>(11,007,733)</u>	<u>(10,148,123)</u>
Net property and equipment	<u>\$23,325,019</u>	<u>\$17,445,715</u>

LIGONIER MINISTRIES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G – PROPERTY AND EQUIPMENT (Continued)

During 2018, the Ministry entered into an eminent domain settlement (“the Settlement”) with the Florida Department of Transportation (“the Agency”) resulting in the transfer of ownership of certain of the Ministry’s land to the Agency in exchange for a payment from the Agency to the Ministry of approximately \$7,294,000 and the conveyance of a certain parcel of land from the Agency to the Ministry. The Settlement resulted in a gain of \$6,904,074, which is reported in the accompanying consolidated statement of activities as “gain on disposition of property pursuant to eminent domain claim.”

Depreciation expense amounted to approximately \$842,000 and \$961,000 for 2018 and 2017, respectively.

NOTE H – INTELLECTUAL PROPERTY RIGHTS

In 2009, the Ministry entered into a license agreement (“the Agreement”) with its founder, the late Dr. R.C. Sproul. The agreement provides the Ministry with rights to certain intellectual property created by Dr. Sproul. The Ministry considers the intellectual property acquired pursuant to the agreement to be essential to the Ministry’s ongoing operations and activities. The Ministry’s interest in the intellectual property rights vested as of 2018, after Dr. Sproul’s passing and pursuant to the terms of the agreement. In connection with the agreement, the Ministry will make annual payments to the R.C. Sproul Credit Shelter Trust which will total \$2,000,000 over the period from 2018 to 2027.

During 2018, the Ministry recognized an asset related to the intellectual property rights and an initial liability of \$1,687,066, the amount of the net present value of the expected payments as of the effective date of the vesting of the intellectual property rights. Management’s determination that the carrying value as of December 31, 2018 is appropriate is based on expectations regarding the Ministry’s future revenues in connection with the use of the intellectual property and is supported by an independent appraisal of the value of the intellectual property performed as of November 2018.

It is possible that the actual fair value of the intellectual property (as would be determined in a sale to an unrelated party) could vary from the carrying value of the intellectual property as reflected in the accompanying consolidated statement of financial position.

The asset and liability related to the intellectual property agreement are reported as “intellectual property rights” and as “obligation under intellectual property rights agreement,” respectively, in the accompanying consolidated statement of financial position.

NOTE I – NOTES PAYABLE

Notes payable consisted of the following:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Consolidated note payable to a bank; fixed principal payments of approximately \$36,900 (including interest at 3.70% per annum) payable monthly; subject to various financial and other covenants as described in the loan documents; secured by a consolidated mortgage on certain real property; matures November 2024	\$ 2,349,072	\$ 2,697,180
Note payable to a bank; fixed principal payments of approximately \$20,300 (including interest at 3.98% per annum) payable monthly; secured by the same consolidated mortgage referred to above; matures September 2025	<u>1,401,796</u>	<u>1,584,628</u>
Total notes payable	<u>\$ 3,750,868</u>	<u>\$ 4,281,808</u>

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – NOTES PAYABLE (Continued)

Approximate future maturities of notes payable are as follows:

<u>Year Ending December 31.</u>	
2019	\$ 552,000
2020	573,000
2021	595,000
2022	619,000
2023	643,000
Thereafter	<u>769,000</u>
Total	<u>\$ 3,751,000</u>

Interest expense amounted to approximately \$5,000 (approximately \$157,000 of interest paid less approximately \$152,000 of interest capitalized as construction in progress) and \$190,000 for 2018 and 2017, respectively.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted for the following purposes during 2018:

	<u>Balance January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance December 31</u>
Capital projects	\$ 6,931,935	\$ 1,739,030	\$ (6,570,244)	\$ 2,100,721
Missions	285,426	1,363,073	(181,531)	1,466,968
Academy scholarships	113,687	865,421	(377,308)	601,800
Foreign translation	51,096	43,746	(42,480)	52,362
Other	<u>—</u>	<u>5,000</u>	<u>(5,000)</u>	<u>—</u>
Subtotal	7,382,144	4,016,270	(7,176,563)	4,221,851
Endowment funds	<u>410,000</u>	<u>—</u>	<u>—</u>	<u>410,000</u>
Total	<u>\$ 7,792,144</u>	<u>\$ 4,016,270</u>	<u>\$ (7,176,563)</u>	<u>\$ 4,631,851</u>

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were donor-restricted for the following purposes during 2017:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Capital projects	\$ 3,038,526	\$ 4,192,940	\$ (1,003,340)	\$ 6,228,126
Reinstatement of previously-released restricted funds	—	—	703,809	703,809
Missions	21,839	299,817	(36,230)	285,426
Academy scholarships	144,425	166,489	(197,227)	113,687
Foreign translation	57,371	138,386	(144,661)	51,096
Other	<u>42,260</u>	<u>5,026</u>	<u>(47,286)</u>	<u>—</u>
Subtotal	3,304,421	4,802,658	(724,935)	7,382,144
Endowment funds	<u>310,000</u>	<u>100,000</u>	<u>—</u>	<u>410,000</u>
	<u>\$ 3,614,421</u>	<u>\$ 4,902,658</u>	<u>\$ (724,935)</u>	<u>\$ 7,792,144</u>

Distributions from the endowment funds are restricted for scholarships.

In connection with the matter discussed in Note M and in order to conservatively account for such funds, management reinstated \$703,809 of previously-released funds in 2017 to be used for other capital projects in future years.

NOTE K – 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 \$283,000 and \$230,000 to the Plan during 2018 and 2017, respectively.

NOTE L – COMMITMENTS

The Ministry is party to a revolving line of credit with a bank totaling up to \$4,000,000. Interest payments at the one-month LIBOR plus 2.75% per annum are due monthly on any outstanding amounts, subject to various financial and other covenants as described in the loan documents. The line is secured by all of the Ministry’s inventories and equipment and matures October 2019. No amounts were outstanding under the line of credit as of December 31, 2018 or 2017.

During 2018, the Ministry entered into a loan agreement with a bank for a non-revolving line of credit in an amount up to \$6,500,000 for the construction of the Reformation Bible College Campus. The loan requires monthly interest-only payment at the one-month LIBOR plus 2.75% per annum beginning in June 2018 with monthly installments of principal and interest at 4.85% per annum beginning in June 2021 following a ten-year amortization schedule. The loan is secured by a consolidated mortgage on certain property and matures during May 2031. No amounts were outstanding under the loan agreement as of December 31, 2018.

At December 31, 2018, the Ministry was party to a contract related to the construction of the Reformation Bible College Campus. The contract totals approximately \$8,900,000, of which approximately \$3,940,000 remained unpaid as of December 31, 2018 and will be paid as work on the project is completed.

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M – REDUCTION IN CARRYING VALUE OF SOFTWARE DEVELOPMENT PROJECT

During the year ended December 31, 2017, the Ministry determined that capitalized costs associated with the development of a customer resource management tool are unrecoverable and management has conservatively determined that such costs have no value for financial statement recognition purposes. Accordingly, the Ministry recognized a loss of \$886,213 which is included in “reduction in carrying value of software development project” in the accompanying 2017 consolidated statement of activities.

Supplemental Consolidating Statements

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Unaudited)
December 31, 2018

ASSETS

	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 9,557,028	\$ 81,946	\$ —	\$ 9,638,974
Cash restricted for long-term purposes	2,510,721	—	—	2,510,721
Investments	6,398,785	—	—	6,398,785
Due from affiliate	7,078,859	—	(7,078,859)	—
Inventories	1,583,737	—	—	1,583,737
Property and equipment, net	23,325,019	—	—	23,325,019
Other assets	994,615	64,493	—	1,059,108
Intellectual property rights	<u>1,687,066</u>	<u>—</u>	<u>—</u>	<u>1,687,066</u>
Total assets	<u>\$ 53,135,830</u>	<u>\$ 146,439</u>	<u>\$ (7,078,859)</u>	<u>\$ 46,203,410</u>

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 2,787,646	\$ 59,649	\$ —	\$ 2,847,295
Due to affiliate	—	7,078,859	(7,078,859)	—
Deferred revenue	1,550,231	3,644	—	1,553,875
Obligation under intellectual property rights agreement	1,487,066	—	—	1,487,066
Notes payable	<u>3,750,868</u>	<u>—</u>	<u>—</u>	<u>3,750,868</u>
Total liabilities	<u>9,575,811</u>	<u>7,142,152</u>	<u>(7,078,859)</u>	<u>9,639,104</u>
NET ASSETS				
Without donor restrictions	39,328,168	(7,395,713)	—	31,932,455
With donor restrictions	<u>4,231,851</u>	<u>400,000</u>	<u>—</u>	<u>4,631,851</u>
Total net assets	<u>43,560,019</u>	<u>(6,995,713)</u>	<u>—</u>	<u>36,564,306</u>
Total liabilities and net assets	<u>\$ 53,135,830</u>	<u>\$ 146,439</u>	<u>\$ (7,078,859)</u>	<u>\$ 46,203,410</u>

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES (Unaudited)
For The Year Ended December 31, 2018

	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 19,465,914	\$ —	\$ —	\$ 19,465,914
Ministry media revenue	4,587,345	—	—	4,587,345
Conference registrations	1,053,851	4,675	—	1,058,526
Tuition and fees, net	574,803	351,077	—	925,880
Other revenue	<u>1,014,483</u>	<u>10,035</u>	<u>(660,000)</u>	<u>364,518</u>
Total public support and revenue	26,696,396	365,787	(660,000)	26,402,183
Net assets released from restrictions				
Satisfaction of use restrictions	<u>7,176,563</u>	<u>—</u>	<u>—</u>	<u>7,176,563</u>
Total public support and revenue and net assets released from restrictions	<u>33,872,959</u>	<u>365,787</u>	<u>(660,000)</u>	<u>33,578,746</u>
Expenses				
Program activities				
Ministry activities	16,715,083	1,747,780	(240,000)	18,222,863
Cost of ministry media and donor fulfillment	<u>2,165,744</u>	<u>—</u>	<u>—</u>	<u>2,165,744</u>
Total program activities	<u>18,880,827</u>	<u>1,747,780</u>	<u>(240,000)</u>	<u>20,388,607</u>
Supporting activities				
Development	3,118,173	63,071	(60,000)	3,121,244
General and administrative	<u>2,889,837</u>	<u>419,056</u>	<u>(360,000)</u>	<u>2,948,893</u>
Total supporting activities	<u>6,008,010</u>	<u>482,127</u>	<u>(420,000)</u>	<u>6,070,137</u>
Total expenses	<u>24,888,837</u>	<u>2,229,907</u>	<u>(660,000)</u>	<u>26,458,744</u>
Change in net assets before other change	8,984,122	(1,864,120)	—	7,120,002
Gain on disposition of property pursuant to eminent domain claim	<u>6,904,074</u>	<u>—</u>	<u>—</u>	<u>6,904,074</u>
Change in net assets without donor restrictions	<u>15,888,196</u>	<u>(1,864,120)</u>	<u>—</u>	<u>14,024,076</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	4,016,270	—	—	4,016,270
Net assets released from restrictions	<u>(7,176,563)</u>	<u>—</u>	<u>—</u>	<u>(7,176,563)</u>
Change in net assets with donor restrictions	<u>(3,160,293)</u>	<u>—</u>	<u>—</u>	<u>(3,160,293)</u>
CHANGE IN NET ASSETS	12,727,903	(1,864,120)	—	10,863,783
NET ASSETS - Beginning of year	<u>30,832,116</u>	<u>(5,131,593)</u>	<u>—</u>	<u>25,700,523</u>
NET ASSETS - End of year	<u>\$ 43,560,019</u>	<u>\$ (6,995,713)</u>	<u>\$ —</u>	<u>\$ 36,564,306</u>

See The Accompanying Report of Independent Auditor

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
For The Year Ended December 31, 2018

	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Cash received from contributors	\$ 21,743,154	\$ —	\$ —	\$ 21,743,154
Cash received from sales of ministry media	4,670,822	—	—	4,670,822
Cash received from student tuition and conferences	1,580,479	348,726	—	1,929,205
Proceeds from life insurance settlement	4,000,000	—	—	4,000,000
Other revenue received	354,483	10,035	—	364,518
Cash paid for operating activities and costs	(24,606,537)	(305,673)	—	(24,912,210)
Interest paid	(156,797)	—	—	(156,797)
Net operating cash flows	<u>7,585,604</u>	<u>53,088</u>	<u>—</u>	<u>7,638,692</u>
INVESTING CASH FLOWS				
Net release of assets held for long-term purposes	4,831,215	—	—	4,831,215
Proceeds from eminent domain claim	7,294,093	—	—	7,294,093
Purchases of investments	(6,398,785)	—	—	(6,398,785)
Purchases of and improvements to property and equipment	(7,110,933)	—	—	(7,110,933)
Net investing cash flows	<u>(1,384,410)</u>	<u>—</u>	<u>—</u>	<u>(1,384,410)</u>
FINANCING CASH FLOWS				
Proceeds from contributions restricted for investment in property and equipment and endowment	1,739,030	—	—	1,739,030
Repayments	(530,940)	—	—	(530,940)
Net financing cash flows	<u>1,208,090</u>	<u>—</u>	<u>—</u>	<u>1,208,090</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,409,284	53,088	—	7,462,372
CASH AND CASH EQUIVALENTS -				
Beginning of year	<u>2,147,744</u>	<u>28,858</u>	<u>—</u>	<u>2,176,602</u>
CASH AND CASH EQUIVALENTS -				
End of year	<u>\$ 9,557,028</u>	<u>\$ 81,946</u>	<u>\$ —</u>	<u>\$ 9,638,974</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO				
NET OPERATING CASH FLOWS				
Change in net assets	\$ 12,727,903	\$ (1,864,120)	\$ —	\$ 10,863,783
Adjustments to reconcile change in net assets to net operating cash flows				
Contributions restricted for investment in property and equipment and endowment	(1,739,030)	—	—	(1,739,030)
Change in life insurance proceeds receivable	4,000,000	—	—	4,000,000
Change in intellectual property rights	(1,687,066)	—	—	(1,687,066)
Change in obligation under intellectual property rights agreement	1,487,066	—	—	1,487,066
Gain on disposition of property pursuant to eminent domain claim	(6,904,074)	—	—	(6,904,074)
Depreciation and amortization	933,371	—	—	933,371
Change in due from / due to affiliate	(2,034,742)	2,034,742	—	—
Change in inventories	278,470	—	—	278,470
Change in other assets	(193,661)	(43,406)	—	(237,067)
Change in accounts payable and accrued expenses	682,065	(67,102)	—	614,963
Change in deferred revenue	35,302	(7,026)	—	28,276
Net operating cash flows	<u>\$ 7,585,604</u>	<u>\$ 53,088</u>	<u>\$ —</u>	<u>\$ 7,638,692</u>

See The Accompanying Report of Independent Auditor