



LIGONIER MINISTRIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





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, 2019 and 2018, the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, 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, 2019 and 2018, 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, 2019, 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.

Batt's Morrison Wales & Lee, P.A.

BATT'S MORRISON WALES & LEE, P.A.

Orlando, Florida
July 28, 2020

BATT'S MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 7,634,957	\$ 9,638,974
Cash restricted for long-term purposes	1,217,479	2,510,721
Investments	1,074,956	6,398,785
Inventories	1,309,366	1,583,737
Property and equipment, net	30,274,269	23,325,019
Other assets	2,134,141	1,059,108
Intellectual property rights	1,687,066	1,687,066
Total assets	\$ 45,332,234	\$ 46,203,410

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 2,355,448	\$ 2,847,295
Deferred revenue	1,819,865	1,553,875
Obligation under intellectual property rights agreement	1,346,549	1,487,066
Notes payable	3,199,139	3,750,868
Total liabilities	8,721,001	9,639,104
NET ASSETS		
Without donor restrictions	33,662,004	31,932,455
With donor restrictions	2,949,229	4,631,851
Total net assets	36,611,233	36,564,306
Total liabilities and net assets	\$ 45,332,234	\$ 46,203,410

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, 2019			For The Year Ended December 31, 2018
	Without donor restrictions	With donor restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions without donor restrictions	\$ 19,120,376	\$ —	\$ 19,120,376	\$ 19,465,914
Ministry media revenue	4,623,378	—	4,623,378	4,587,345
Contributions with donor restrictions	—	2,432,449	2,432,449	4,016,270
Conference registrations	1,015,419	—	1,015,419	1,058,526
Tuition and fees, net	889,649	—	889,649	925,880
Other revenue	495,876	—	495,876	364,518
Net assets released from restrictions	<u>4,115,071</u>	<u>(4,115,071)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>30,259,769</u>	<u>(1,682,622)</u>	<u>28,577,147</u>	<u>30,418,453</u>
EXPENSES				
Program activities				
Ministry activities	20,099,481	—	20,099,481	18,222,863
Cost of ministry media and donor fulfillment	1,888,903	—	1,888,903	2,165,744
Total program activities	<u>21,988,384</u>	<u>—</u>	<u>21,988,384</u>	<u>20,388,607</u>
Supporting activities				
General and administrative	3,446,723	—	3,446,723	2,948,893
Development	3,095,113	—	3,095,113	3,121,244
Total supporting activities	<u>6,541,836</u>	<u>—</u>	<u>6,541,836</u>	<u>6,070,137</u>
Total expenses	<u>28,530,220</u>	<u>—</u>	<u>28,530,220</u>	<u>26,458,744</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGE	1,729,549	(1,682,622)	46,927	3,959,709
Gain on disposition of property pursuant to eminent domain claim	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,904,074</u>
Change in net assets without donor restrictions	1,729,549	—	1,729,549	14,024,076
Change in net assets with donor restrictions	<u>—</u>	<u>(1,682,622)</u>	<u>(1,682,622)</u>	<u>(3,160,293)</u>
CHANGE IN NET ASSETS	1,729,549	(1,682,622)	46,927	10,863,783
NET ASSETS - Beginning of year	<u>31,932,455</u>	<u>4,631,851</u>	<u>36,564,306</u>	<u>25,700,523</u>
NET ASSETS - End of year	<u>\$ 33,662,004</u>	<u>\$ 2,949,229</u>	<u>\$ 36,611,233</u>	<u>\$ 36,564,306</u>

The Accompanying Notes are an Integral
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LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	December 31,	
	2019	2018
OPERATING CASH FLOWS		
Cash received from contributors	\$ 19,537,699	\$ 21,743,154
Cash received from sales of ministry media	4,781,819	4,670,822
Cash received from student tuition and conferences	2,012,617	1,929,205
Proceeds from life insurance settlement	—	4,000,000
Other revenue received	495,876	364,518
Cash paid for operating activities and costs	(27,863,472)	(24,912,210)
Interest paid	(137,864)	(156,797)
	<u>(1,173,325)</u>	<u>7,638,692</u>
Net operating cash flows		
INVESTING CASH FLOWS		
Proceeds from eminent domain claim	—	7,294,093
Sales (purchases) of investments	5,323,829	(6,398,785)
Purchases of and improvements to property and equipment and cash paid for website development costs	(8,692,610)	(7,110,933)
	<u>(3,368,781)</u>	<u>(6,215,625)</u>
Net investing cash flows		
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment and endowment	1,796,576	1,739,030
Principal repayments on notes payable	(551,729)	(530,940)
	<u>1,244,847</u>	<u>1,208,090</u>
Net financing cash flows		
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,297,259)	2,631,157
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	<u>12,149,695</u>	<u>9,518,538</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	<u>\$ 8,852,436</u>	<u>\$ 12,149,695</u>
REPORTED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 7,634,957	\$ 9,638,974
Cash restricted for long-term purposes	1,217,479	2,510,721
	<u>1,217,479</u>	<u>2,510,721</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 8,852,436</u>	<u>\$ 12,149,695</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 46,927	\$ 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	(1,796,576)	(1,739,030)
Noncash contributions	(218,550)	—
Depreciation and amortization	1,088,542	933,371
Change in inventories	274,371	278,470
Change in other assets	(201,665)	(237,067)
Change in intellectual property rights	—	(1,687,066)
Change in life insurance proceeds receivable	—	4,000,000
Change in accounts payable and accrued expenses	(491,847)	614,963
Change in deferred revenue	265,990	28,276
Change in obligation under intellectual property rights agreement	(140,517)	1,487,066
Gain on disposition of property pursuant to eminent domain claim	—	(6,904,074)
	<u>(1,173,325)</u>	<u>7,638,692</u>
Net operating cash flows	<u>\$ (1,173,325)</u>	<u>\$ 7,638,692</u>

The Accompanying Notes are an Integral
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LIGONIER MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2019

	Program activities		Supporting activities		Total expenses
	Ministry activities	Cost of ministry media and donor fulfillment	General and administrative	Development	
Salaries and benefits	\$ 10,101,044	\$ —	\$ 1,463,428	\$ 854,156	\$ 12,418,628
Office expenses	1,875,055	—	85,391	1,059,368	3,019,814
Professional services and fees	1,543,300	—	445,110	198,253	2,186,663
Cost of goods	—	1,888,903	—	—	1,888,903
Travel and events	1,236,762	—	59,047	402,624	1,698,433
Depreciation and amortization	977,006	—	79,840	31,696	1,088,542
Advertising and promotions	1,146,179	—	—	720	1,146,899
Information technology	289,304	—	708,846	31,444	1,029,594
Occupancy	651,441	—	216,834	36,376	904,651
Airtime	886,593	—	—	—	886,593
Publications and printing	454,126	—	353	387,647	842,126
Religious media distribution	492,759	—	—	56,331	549,090
Miscellaneous	204,861	—	220,791	34,601	460,253
Royalties	191,293	—	—	—	191,293
Legal fees	—	—	164,745	—	164,745
Dues and subscriptions	49,758	—	2,338	1,897	53,993
Total	\$ 20,099,481	\$ 1,888,903	\$ 3,446,723	\$ 3,095,113	\$ 28,530,220

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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	General and administrative	Development	
Salaries and benefits	\$ 8,526,118	\$ —	\$ 1,452,245	\$ 783,638	\$ 10,762,001
Office expenses	2,055,329	—	124,975	1,344,906	3,525,210
Professional services and fees	1,781,492	—	343,256	105,705	2,230,453
Cost of goods	—	2,165,744	—	—	2,165,744
Travel and events	998,986	—	43,810	275,331	1,318,127
Publications and printing	516,113	—	3,107	496,613	1,015,833
Advertising and promotions	996,850	—	—	2,284	999,134
Depreciation, amortization, and interest	843,300	—	67,749	27,099	938,148
Airtime	871,276	—	—	—	871,276
Occupancy	527,035	—	208,032	10,695	745,762
Information technology	189,852	—	429,270	28,010	647,132
Miscellaneous	356,169	—	207,351	15,465	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	—	1,663	4,267	31,095
Total	\$ 18,222,863	\$ 2,165,744	\$ 2,948,893	\$ 3,121,244	\$ 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 2019 or 2018.

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 G. 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 statements of functional expenses present 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") 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash is effective for the Ministry's consolidated financial statements for the year ended December 31, 2019. The ASU requires that restricted cash amounts be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the consolidated statements of cash flows. The adoption of the ASU had no effect on the Ministry's consolidated net assets as of January 1, 2018 or the consolidated change in net assets presented for 2018. As required by applicable guidance, the Ministry has retrospectively applied the ASU's provisions to the 2018 consolidated statement of cash flows.

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts included in the 2018 consolidated financial statements have been reclassified to conform to classifications adopted during 2019. The reclassifications had no material effect on the accompanying consolidated financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets available:		
Cash and cash equivalents	\$ 7,634,957	\$ 9,638,974
Cash restricted for long-term purposes	1,217,479	2,510,721
Investments	1,074,956	6,398,785
Accounts receivable, net (included in “other assets”)	<u>574,200</u>	<u>314,936</u>
Total financial assets available within one year	10,501,592	18,863,416
Less:		
Amounts unavailable for general expenditure within one year, due to amounts held as endowments	(400,000)	(410,000)
Amounts unavailable for general expenditure within one year, due to donor-imposed restrictions limiting use to capital projects	<u>(817,479)</u>	<u>(2,100,721)</u>
Net financial assets available within one year	<u>\$ 9,284,113</u>	<u>\$16,352,695</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. The Ministry has certain assets limited to use for donor-restricted purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the assets may not be available for general expenditure within one year and are excluded from net financial assets available to meet general expenditures within one year. Certain donor-restricted net assets are available for general expenditure within one year of December 31, 2019 and 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 K.

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.

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – INVESTMENTS

Investments consisted of the following:

Category	December 31,	
	2019	2018
U.S. Treasury bills	\$ 1,067,845	\$ 6,389,868
Mutual funds	7,111	8,917
Total investments	\$ 1,074,956	\$ 6,398,785

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, 2019 are as follows:

	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 1,067,845	\$ 1,067,845	\$ —	\$ —
Mutual funds	7,111	7,111	—	—
Total assets	\$ 1,074,956	\$ 1,074,956	\$ —	\$ —

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

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

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	December 31,	
	2019	2018
Land	\$ 3,888,569	\$ 3,888,569
Buildings and improvements	11,333,327	11,289,987
Furniture and equipment	6,366,723	5,767,214
Production equipment and media masters	6,936,041	5,876,297
Media masters under development	116,154	562,225
Construction in progress	<u>13,611,475</u>	<u>6,948,460</u>
Total property and equipment	42,252,289	34,332,752
Less: Accumulated depreciation	<u>(11,978,020)</u>	<u>(11,007,733)</u>
Net property and equipment	<u>\$30,274,269</u>	<u>\$23,325,019</u>

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 2018 consolidated statement of activities as “gain on disposition of property pursuant to eminent domain claim.”

Depreciation expense amounted to approximately \$965,000 and \$842,000 for 2019 and 2018, respectively.

NOTE G – 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, 2019 and 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 statements 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 statements of financial position.

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – NOTES PAYABLE

Notes payable consisted of the following:

	December 31,	
	2019	2018
Consolidated note payable to a bank; fixed principal payments of approximately \$36,900 payable monthly (including interest at 3.70% per annum; subsequent to December 31, 2019, the interest rate on the note was modified to 2.60% per annum); 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	\$ 1,987,682	\$ 2,349,072
Note payable to a bank; fixed principal payments of approximately \$20,300 payable monthly (including interest at 3.98% per annum; subsequent to December 31, 2019, the interest rate on the note was modified to 2.60% per annum); secured by the same consolidated mortgage referred to above; matures September 2025	<u>1,211,457</u>	<u>1,401,796</u>
Total notes payable	<u>\$ 3,199,139</u>	<u>\$ 3,750,868</u>

Approximate future maturities of notes payable (after giving effect to the interest rate modifications noted above) are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 611,000
2021	627,000
2022	643,000
2023	660,000
2024	577,000
Thereafter	<u>81,000</u>
Total	<u>\$ 3,199,000</u>

During 2019, the Ministry paid and capitalized as construction in progress approximately \$138,000 of interest. During 2018, the Ministry expensed approximately \$5,000 of interest (approximately \$157,000 of interest paid less approximately \$152,000 of interest capitalized as construction in progress).

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted for the following purposes during 2019:

	Balance		Contributions		Releases		Balance
	January 1						December 31
Missions	\$ 1,466,968	\$	482,639	\$	(675,835)	\$	1,273,772
Capital projects	2,100,721		1,796,576		(2,855,778)		1,041,519
Scholarships	601,800		127,968		(521,096)		208,672
Other	—		25,266		—		25,266
Foreign translation	<u>52,362</u>		<u>—</u>		<u>(52,362)</u>		<u>—</u>
Subtotal	4,221,851		2,432,449		(4,105,071)		2,549,229

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Endowment funds	\$ 410,000	\$ —	\$ (10,000)	\$ 400,000
Total	<u>\$ 4,631,851</u>	<u>\$ 2,432,449</u>	<u>\$ (4,115,071)</u>	<u>\$ 2,949,229</u>

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

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>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
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>

Distributions from the endowment funds are restricted for scholarships.

NOTE J – 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 \$328,000 and \$283,000 to the Plan during 2019 and 2018, respectively.

NOTE K – 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 (one-month LIBOR plus 2.00% subsequent to December 31, 2019) 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 January 2022. No amounts were outstanding under the line of credit as of December 31, 2019 or 2018.

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 payments 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, 2019 or 2018. The non-revolving line of credit was amended, restated, and renewed subsequent to December 31, 2019 (see Note L).

LIGONIER MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L – SUBSEQUENT EVENTS

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Ministry’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Ministry of relief measures available under federal law and reducing the overall scope and cost of operations, both domestically and internationally. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending December 31, 2020.

Subsequent to year-end, the Ministry and the Academy obtained Paycheck Protection Program loans in the approximate amounts of \$1,983,000 and \$243,000, respectively. Pursuant to federal law, the loan amounts may be forgiven in whole or in part based on the nature of the respective organization’s expenditures during an applicable period. Management reserves the right to repay the loans in accordance with the terms of the promissory notes (even if the loans are determined to be forgivable either in whole or in part). If the loans are forgiven and management chooses to accept forgiveness in lieu of repayment, the Ministry and the Academy will recognize the amounts forgiven as revenue when the conditions for forgiveness are met.

Furthermore, \$5,800,000 of the unfunded face amount of the non-revolving line of credit as described in Note K was amended, restated and renewed subsequent to year-end. The loan requires monthly interest-only payments at the one-month LIBOR plus 1.25% per annum beginning in April 2020 with monthly installments of principal and interest at 2.60% per annum beginning in May 2023. The loan is secured by a consolidated mortgage on certain property and matures during April 2033.

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through July 28, 2020, the date as of which the consolidated financial statements were available to be issued.

Supplemental Consolidating Statements

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Unaudited)
December 31, 2019

ASSETS				
	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 7,558,609	\$ 76,348	\$ —	\$ 7,634,957
Cash restricted for long-term purposes	1,217,479	—	—	1,217,479
Investments	1,074,956	—	—	1,074,956
Due from affiliate	8,965,118	—	(8,965,118)	—
Inventories	1,275,396	33,970	—	1,309,366
Property and equipment, net	30,274,269	—	—	30,274,269
Other assets	2,089,906	44,235	—	2,134,141
Intellectual property rights	1,687,066	—	—	1,687,066
	\$ 54,142,799	\$ 154,553	\$ (8,965,118)	\$ 45,332,234
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,194,571	\$ 160,877	\$ —	\$ 2,355,448
Due to affiliate	—	8,965,118	(8,965,118)	—
Deferred revenue	1,815,057	4,808	—	1,819,865
Obligation under intellectual property rights agreement	1,346,549	—	—	1,346,549
Notes payable	3,199,139	—	—	3,199,139
	8,555,316	9,130,803	(8,965,118)	8,721,001
NET ASSETS				
Without donor restrictions	43,038,254	(9,376,250)	—	33,662,004
With donor restrictions	2,549,229	400,000	—	2,949,229
	45,587,483	(8,976,250)	—	36,611,233
Total liabilities and net assets	\$ 54,142,799	\$ 154,553	\$ (8,965,118)	\$ 45,332,234

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES (Unaudited)
For The Year Ended December 31, 2019

	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 18,825,783	\$ 294,593	\$ —	\$ 19,120,376
Ministry media revenue	4,623,378	—	—	4,623,378
Conference registrations	1,015,419	—	—	1,015,419
Tuition and fees, net	608,143	281,506	—	889,649
Other revenue	<u>1,134,130</u>	<u>21,746</u>	<u>(660,000)</u>	<u>495,876</u>
Total public support and revenue	26,206,853	597,845	(660,000)	26,144,698
Net assets released from restrictions				
Satisfaction of use restrictions	<u>4,115,071</u>	<u>—</u>	<u>—</u>	<u>4,115,071</u>
Total public support and revenue and net assets released from restrictions	<u>30,321,924</u>	<u>597,845</u>	<u>(660,000)</u>	<u>30,259,769</u>
Expenses				
Program activities				
Ministry activities	18,274,644	2,064,837	(240,000)	20,099,481
Cost of ministry media and donor fulfillment	<u>1,888,903</u>	<u>—</u>	<u>—</u>	<u>1,888,903</u>
Total program activities	<u>20,163,547</u>	<u>2,064,837</u>	<u>(240,000)</u>	<u>21,988,384</u>
Supporting activities				
General and administrative	3,353,196	453,527	(360,000)	3,446,723
Development	<u>3,095,095</u>	<u>60,018</u>	<u>(60,000)</u>	<u>3,095,113</u>
Total supporting activities	<u>6,448,291</u>	<u>513,545</u>	<u>(420,000)</u>	<u>6,541,836</u>
Total expenses	<u>26,611,838</u>	<u>2,578,382</u>	<u>(660,000)</u>	<u>28,530,220</u>
Change in net assets without donor restrictions	<u>3,710,086</u>	<u>(1,980,537)</u>	<u>—</u>	<u>1,729,549</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	2,432,449	—	—	2,432,449
Net assets released from restrictions	<u>(4,115,071)</u>	<u>—</u>	<u>—</u>	<u>(4,115,071)</u>
Change in net assets with donor restrictions	<u>(1,682,622)</u>	<u>—</u>	<u>—</u>	<u>(1,682,622)</u>
CHANGE IN NET ASSETS	2,027,464	(1,980,537)	—	46,927
NET ASSETS - Beginning of year	<u>43,560,019</u>	<u>(6,995,713)</u>	<u>—</u>	<u>36,564,306</u>
NET ASSETS - End of year	<u>\$ 45,587,483</u>	<u>\$ (8,976,250)</u>	<u>\$ —</u>	<u>\$ 36,611,233</u>

See The Accompanying Report of Independent Auditor

LIGONIER MINISTRIES, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
For The Year Ended December 31, 2019

	Ligonier Ministries	Ligonier Academy	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Cash received from contributors	\$ 19,243,106	\$ 294,593	\$ —	\$ 19,537,699
Cash received from sales of ministry media	4,781,819	—	—	4,781,819
Cash received from student tuition and conferences	1,729,947	282,670	—	2,012,617
Other revenue received	474,130	21,746	—	495,876
Cash paid for operating activities and costs	(27,258,865)	(604,607)	—	(27,863,472)
Interest paid	(137,864)	—	—	(137,864)
Net operating cash flows	(1,167,727)	(5,598)	—	(1,173,325)
INVESTING CASH FLOWS				
Sales of investments	5,323,829	—	—	5,323,829
Purchases of and improvements to property and equipment and cash paid for website development costs	(8,692,610)	—	—	(8,692,610)
Net investing cash flows	(3,368,781)	—	—	(3,368,781)
FINANCING CASH FLOWS				
Proceeds from contributions restricted for investment in property and equipment and endowment	1,796,576	—	—	1,796,576
Principal repayments on notes payable	(551,729)	—	—	(551,729)
Net financing cash flows	1,244,847	—	—	1,244,847
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,291,661)	(5,598)	—	(3,297,259)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	12,067,749	81,946	—	12,149,695
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 8,776,088	\$ 76,348	\$ —	\$ 8,852,436
REPORTED IN THE CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS FOLLOWS				
Cash and cash equivalents	\$ 7,558,609	\$ 76,348	\$ —	\$ 7,634,957
Cash restricted for long-term purposes	1,217,479	—	—	1,217,479
Total cash, cash equivalents, and restricted cash	\$ 8,776,088	\$ 76,348	\$ —	\$ 8,852,436
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS				
Change in net assets	\$ 2,027,464	\$ (1,980,537)	\$ —	\$ 46,927
Adjustments to reconcile change in net assets to net operating cash flows				
Contributions restricted for investment in property and equipment and endowment	(1,796,576)	—	—	(1,796,576)
Noncash contributions	(218,550)	—	—	(218,550)
Depreciation and amortization	1,082,542	6,000	—	1,088,542
Change in inventories	308,341	(33,970)	—	274,371
Change in other assets	(215,923)	14,258	—	(201,665)
Change in accounts payable and accrued expenses	(593,075)	101,228	—	(491,847)
Change in due from / due to affiliate	(1,886,259)	1,886,259	—	—
Change in deferred revenue	264,826	1,164	—	265,990
Change in obligation under intellectual property rights agreement	(140,517)	—	—	(140,517)
Net operating cash flows	\$ (1,167,727)	\$ (5,598)	\$ —	\$ (1,173,325)

See The Accompanying Report of Independent Auditor