BATTS MORRISON WALES & LEE
KEEPING WATCH FOR NONPROFIT ORGANIZATIONS AND THEIR LEADERS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Ligonier Ministries, Inc. ("the Ministry") as of December 31, 2010 and 2009, 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, 2010 and 2009, 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.

Orlando, Florida
June 2, 2011

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LIGONIER MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 729,398	$ 1,718,964
Restricted cash and investments	10,000	10,000
Inventories	860,751	992,063
Prepaid expenses and other assets	970,725	687,816
Property and equipment, net	16,915,725	15,516,545
Total assets	**$ 19,486,599**	**$ 18,925,388**

LIABILITIES AND NET ASSETS

	2010	2009
LIABILITIES		
Accounts payable and accrued expenses	$ 1,860,449	$ 1,255,952
Deferred revenue	496,495	450,402
Notes payable and capital lease obligations	6,835,854	7,079,495
Interest rate swap contracts, at estimated fair value	376,732	278,814
Total liabilities	**9,569,530**	**9,064,663**
NET ASSETS		
Unrestricted	9,823,249	9,792,225
Temporarily restricted	83,820	58,500
Permanently restricted	10,000	10,000
Total net assets	**9,917,069**	**9,860,725**
Total liabilities and net assets	**$ 19,486,599**	**$ 18,925,388**

LIGONIER MINISTRIES, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended December 31, 2010	2009
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue:		
Contributions	$ 11,200,182	$ 11,048,665
Product sales	3,215,792	3,100,638
Tuition, conference registration and fees	774,150	830,310
Other revenue	156,794	210,517
Total public support and revenue	15,346,918	15,190,130
Net assets released from restrictions:		
Satisfaction of use restrictions	946,994	1,774,158
Total public support and revenue and net assets released from restrictions	16,293,912	16,964,288
Expenses:		
Program activities:		
Ministry activities	10,319,650	9,507,121
Cost of products sold and donor fulfillment	1,522,898	1,503,611
Total program activities	11,842,548	11,010,732
Supporting activities:		
Development	2,216,450	2,514,525
General and administrative	2,105,972	2,120,129
Total supporting activities	4,322,422	4,634,654
Total expenses	16,164,970	15,645,386
Change in unrestricted net assets before change in estimated fair value of interest rate swap contracts	**128,942**	**1,318,902**
Change in estimated fair value of interest rate swap contracts	(97,918)	175,792
Change in unrestricted net assets	**31,024**	**1,494,694**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	972,314	1,554,094
Net assets released from restrictions	(946,994)	(1,774,158)
Change in temporarily restricted net assets	**25,320**	**(220,064)**
CHANGE IN NET ASSETS	**56,344**	**1,274,630**
NET ASSETS - Beginning of year	**9,860,725**	**8,586,095**
NET ASSETS - End of year	**$ 9,917,069**	**$ 9,860,725**

The Accompanying Notes are an Integral
Part of These Financial Statements

LIGONIER MINISTRIES, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31, 2010	2009
OPERATING CASH FLOWS		
Change in net assets	$ 56,344	$ 1,274,630
Adjustments to reconcile change in net assets to net operating cash flows:		
Contributions restricted for investment in property and equipment	(873,300)	(1,496,944)
Depreciation	425,289	417,823
Change in inventories	131,312	146,754
Change in prepaid expenses and other assets	(282,909)	(183,512)
Change in accounts payable and accrued expenses	604,497	88,255
Change in deferred revenue	46,093	14,378
Change in estimated fair value of interest rate swap contracts	97,918	(175,792)
Net operating cash flows	**205,244**	**85,592**
INVESTING CASH FLOWS		
Change in restricted cash and investments	—	30,000
Purchases of and improvements to property and equipment	(1,824,469)	(1,431,038)
Net investing cash flows	**(1,824,469)**	**(1,401,038)**
FINANCING CASH FLOWS		
Proceeds from contributions restricted for investment in property and equipment	873,300	1,496,944
Proceeds from borrowings	800,000	1,231,984
Repayments of notes payable and capital lease obligations	(1,043,641)	(1,109,528)
Net financing cash flows	**629,659**	**1,619,400**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(989,566)**	**303,954**
CASH AND CASH EQUIVALENTS - Beginning of year	**1,718,964**	**1,415,010**
CASH AND CASH EQUIVALENTS - End of year	**$ 729,398**	**$ 1,718,964**

SUPPLEMENTAL DISCLOSURE:

The Ministry paid approximately $326,000 and $294,000 of interest during the years ended December 31, 2010 and 2009, of which approximately $294,000 and $281,000 was capitalized in connection with construction in progress, respectively.

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. The Ministry also operates Ligonier Academy of Biblical and Theological Studies which provides theological education through both certificate programs and graduate degree programs. The Ministry also has established an undergraduate program which will offer classes beginning in the fall of 2011.

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.

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.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair 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. The Ministry has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 value assigned to the interest rate swap contracts. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the 2009 financial statements have been reclassified to conform to classifications adopted during 2010. The reclassifications had no material effect on the accompanying financial statements.

Subsequent events

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through June 2, 2011, the date as of which the financial statements were available to be issued.

NOTE C – 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. As of December 31, 2010, the Ministry had approximately $23,000 in interest bearing accounts and approximately $176,000 in non-interest bearing accounts, not reflective of outstanding deposits or disbursements. As of December 31, 2010, interest bearing accounts are federally insured up to $250,000 per financial institution and non-interest bearing accounts are fully federally insured.

The Ministry's term debt is held by a single bank.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
Category	2010	2009
Land	$ 4,467,588	$ 4,467,588
Buildings and improvements	8,081,689	8,081,689
Furniture and equipment (including equipment under capital lease obligations of $337,563)	3,166,102	3,081,992
Production equipment and tape masters	2,245,277	2,210,657
Media masters under development	201,895	51,852
Construction in progress	3,913,061	2,357,365
Total property and equipment	22,075,612	20,251,143
Less: Accumulated depreciation (including approximately $90,000 and $23,000 on equipment held under capital leases, respectively)	(5,159,887)	(4,734,598)
Net property and equipment	$16,915,725	$15,516,545

Depreciation expense amounted to $425,289 and $417,823 for 2010 and 2009, respectively.

NOTE E – NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

Notes payable and capital lease obligations consisted of the following:

	December 31, 2010	December 31, 2009
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% per annum payable monthly, secured by a mortgage on certain real property, maturing December 2014	$ 3,810,926	$ 4,000,000
Note payable to a bank, varying principal payments plus interest at one-month LIBOR plus 1.55% per annum payable monthly, secured by a mortgage on certain real property, maturing April 2016	2,627,282	2,755,488
Obligation under capital lease, monthly payments of $5,560, secured by certain equipment, maturing August 2014	221,099	277,550
Revolving line of credit up to $800,000 payable to a bank, requiring monthly interest-only payments at the bank's prime rate until maturity in July 2011, paid subsequent to December 31, 2010	150,000	—
Other	26,547	46,457
Total notes payable and capital lease obligations	$ 6,835,854	$ 7,079,495

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

Year Ending December 31,	
2011	$ 560,000
2012	402,000
2013	403,000
2014	382,000
2015	3,159,000
Thereafter	1,930,000
Total	$ 6,836,000

Interest paid, capitalized and expensed consisted of the following approximate amounts:

	For The Years Ended December 31, 2010	For The Years Ended December 31, 2009
Total interest paid	$ 326,000	$ 294,000
Less: Amount capitalized as construction in progress (See Note D)	(294,000)	(281,000)
Interest expense	$ 32,000	$ 13,000

NOTE F – INTEREST RATE SWAP CONTRACTS

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 $1,400,615 and $1,448,822 as of December 31, 2010 and 2009, respectively, at 6.77% per year, plus certain annual fees and costs. The estimated fair value of the interest rate swap contract was a liability of $208,368 and $166,189 as of December 31, 2010 and 2009, respectively, based on the "unwind fee" the Ministry would pay the bank to cancel the interest rate swap contract.

The Ministry has entered into another 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 December 27, 2014. The contract effectively fixes the Ministry's interest rate on decreasing notional amounts totaling $1,900,000 and $2,000,000 as of December 31, 2010 and 2009, respectively, at 5.6% per year, plus certain annual fees and costs. The estimated fair value of the interest rate swap contract was a liability of $168,364 and $112,625 as of December 31, 2010 and 2009, respectively, based on the "unwind fee" the Ministry would pay the bank to cancel the interest rate swap contract.

The value of the interest rate swap contracts has been estimated based on the amounts needed to settle the agreements as calculated by the counterparties to the swap agreements. Such calculations were based on market conditions, including prevailing interest rates, and take into consideration expectations regarding interest rate movements, the remaining term of the agreements and other factors. The change in the estimated fair value of the contracts is reported in the accompanying statements of activities as "change in estimated fair value of interest rate swap contracts." The Ministry is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap contracts. However, the Ministry does not anticipate nonperformance by the counterparty.

In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), fair value is defined as the price that an entity would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. U.S. GAAP establishes a hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and establishes classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets

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

Level 3 – significant unobservable 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.

NOTE F – INTEREST RATE SWAP CONTRACTS (Continued)

The estimated fair value of the interest rate swap contracts, measured on a recurring basis, at December 31, 2010 is as follows:

		Estimated Fair Value Measurements at Reporting Date Using		
	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap contracts	$ 376,732	$ —	$ 376,732	$ —
Total	$ 376,732	$ —	$ 376,732	$ —

The estimated fair value of the interest rate swap contracts, measured on a recurring basis, at December 31, 2009 is as follows:

		Estimated Fair Value Measurements at Reporting Date Using		
	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap contracts	$ 278,814	$ —	$ 278,814	$ —
Total	$ 278,814	$ —	$ 278,814	$ —

The estimated value determined using Level 2 inputs is based on amounts provided by a certain financial institution.

The carrying values of cash and cash equivalents do not differ materially from reasonable estimates of fair value, as the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value.

The Ministry's other significant financial instruments are accounts payable and notes payable. For those financial instruments, carrying values approximate fair value.

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets were temporarily restricted for the following purposes:

	December 31, 2010	December 31, 2009
Ligonier Academy of Biblical and Theological Studies scholarships	$ 54,000	$ 50,000
Missions	20,602	—
Other	9,218	8,500
Total temporarily restricted net assets	$ 83,820	$ 58,500

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

NOTE H – OPERATING LEASES

The Ministry leases building space under various operating lease agreements. Future minimum rental payments under noncancellable operating leases are approximately as follows:

Year Ending December 31,	
2011	$ 179,000
2012	154,000
2013	6,000
2014	6,000
2015	5,000
Total	$ 350,000

Total rent expense related to all leases was approximately $360,000 and $354,000 for 2010 and 2009, respectively.

NOTE I – 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 $105,000 and $107,000 to the Plan during 2010 and 2009, respectively.

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 approximately $64,000 during 2009 (no payments were made to the president during 2010). As of December 31, 2010 and 2009, approximately $139,000 and $87,000, respectively, related to these agreements is included in "accounts payable and accrued expenses" in the accompanying statements of financial position.

NOTE K – COMMITMENTS

As of December 31, 2010, 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 2010 and 2009, the Ministry incurred royalty expense of approximately $75,000 and $103,000, respectively, related to these agreements. As of December 31, 2010 and 2009, approximately $9,800 and $39,000, respectively, related to these agreements is included in "accounts payable and accrued expenses" in the accompanying statements of financial position.