



The
Chalmers
Center

CHALMERS CENTER
FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Chalmers Center for Economic Development
at Covenant College, Inc.
Lookout Mountain, Georgia

We have audited the accompanying financial statements of Chalmers Center for Economic Development at Covenant College, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Chalmers Center for Economic Development
at Covenant College, Inc.
Lookout Mountain, Georgia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chalmers Center for Economic Development at Covenant College, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Chalmers Center for Economic Development at Covenant College, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Lawrenceville, Georgia
October 17, 2019

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 960,122	\$ 1,037,866
Other assets	52,780	43,197
Grants receivable	800,000	-
Property and equipment–net	37,095	40,843
Total Assets	\$ 1,849,997	\$ 1,121,906
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 152,087	\$ 37,505
Deferred revenue	40,800	46,859
	192,887	84,364
Net assets:		
Without donor restrictions	92,997	672,342
With donor restrictions	1,564,113	365,200
	1,657,110	1,037,542
Total Liabilities and Net Assets	\$ 1,849,997	\$ 1,121,906

See notes to financial statements

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 932,127	\$ 1,771,838	\$ 2,703,965	\$ 1,202,452	\$ 1,037,504	\$ 2,239,956
Gift-in-kind	201,831	-	201,831	201,831	-	201,831
Royalty income	66,333	-	66,333	53,002	-	53,002
Fee income	149,241	-	149,241	96,091	-	96,091
Total support and revenue	1,349,532	1,771,838	3,121,370	1,553,376	1,037,504	2,590,880
RECLASSIFICATIONS:						
Net assets released from restriction by satisfaction of purpose and/or time restrictions	572,925	(572,925)	-	875,812	(875,812)	-
EXPENSES:						
Program services	2,119,273	-	2,119,273	1,872,343	-	1,872,343
Supporting activities:						
General and administrative	180,141	-	180,141	137,954	-	137,954
Fundraising activities	202,388	-	202,388	159,315	-	159,315
	382,529	-	382,529	297,269	-	297,269
Total Expenses	2,501,802	-	2,501,802	2,169,612	-	2,169,612
Change in Net Assets	(579,345)	1,198,913	619,568	259,576	161,692	421,268
Net Assets, Beginning of Period	672,342	365,200	1,037,542	412,766	203,508	616,274
Net Assets, End of Period	\$ 92,997	\$ 1,564,113	\$ 1,657,110	\$ 672,342	\$ 365,200	\$ 1,037,542

See notes to financial statements

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 619,568	\$ 421,268
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	24,186	27,628
Changes in operating assets and liabilities:		
Other assets	(9,583)	(11,092)
Grants receivable	(800,000)	-
Accounts payable and accrued expenses	114,582	(34,824)
Deferred revenue	(6,059)	46,859
Net Cash Provided (Used) by Operating Activities	(57,306)	449,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(20,438)	-
Net Change in Cash and Cash Equivalents	(77,744)	449,839
Cash and Cash Equivalents, Beginning of Period	1,037,866	588,027
Cash and Cash Equivalents, End of Period	\$ 960,122	\$ 1,037,866

See notes to financial statements

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

Chalmers Center for Economic Development at Covenant College, Inc. (Chalmers) is a Georgia nonprofit corporation classified as a 501(c)(3) religious organization by the United States Internal Revenue Service, which is other than a private foundation. As such, it is exempt from U.S. federal and state income tax, and contributions are deductible for income tax purposes.

Chalmers equips local churches to address the broken relationships at the root of material poverty. By researching, field-testing, and training churches in practical ways to walk with the poor, Chalmers supports spiritual, social, and economic transformation in low-income communities.

Dr. Brian Fikkert, Chalmers' Founder and President, and Steve Corbett, Chalmers' Community Development Specialist, co-authored the book *When Helping Hurts* in 2009. By God's grace, over 450,000 copies of the book are now in distribution. God has used *When Helping Hurts* to encourage churches to engage in sustainable, effective poverty alleviation practices as they disciple the materially poor.

In the United States and Canada, Chalmers offers churches training in its *Faith & Finances* program. Through the *Faith & Finances* course, Chalmers equips churches to train low to moderate-income people in money management and stewardship principles. Participants of all income levels explore how their money is part of God's work in the world, in addition to gaining crucial financial knowledge.

Chalmers and its partners also equip churches in the Majority World (Asia, Africa, and Latin America) to be agents of reconciliation among the poor via savings group ministries. In our church-centered savings groups, participants meet together and study scripture, save their financial resources, and share life together. As a result, the poor are empowered with spiritual, financial, and social tools to help transform their communities.

In 2014, Chalmers released *When Helping Hurts: The Small Group Experience* and *Helping Without Hurting in Short-Term Missions*. These resources equip broader networks of churches and ministries to support effective poverty alleviation. In 2015, Chalmers released *From Dependence to Dignity: How to Alleviate Poverty through Church-Centered Microfinance* and *Helping Without Hurting in Church Benevolence*. In 2017, Chalmers released *Practicing the King's Economy*. In 2019, Chalmers released *Becoming Whole* with a follow-on book, *A Field Guide to Becoming Whole*, set to release September 2019.

God has blessed Chalmers with a network of committed ministry partners. By subscribing to our monthly prayer letter, hundreds of people faithfully present Chalmers praises and requests before the throne of God. Our financial resource partners continue to be remarkably generous, enabling Chalmers to research and develop even more poverty alleviation resources. Ultimately, church and ministry leaders around the globe utilize Chalmers' discipleship tools, ensuring that the church – as the body and bride of Christ – is the primary channel of God's restorative work in the lives of the materially poor.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

USE OF ESTIMATES

The preparation of Chalmers' financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. From time to time cash accounts may exceed federally insured limits; however, Chalmers has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2018 and 2017, cash balances exceeded federally insured limits by \$511,309 and \$803,859, respectively.

OTHER ASSETS

Other assets consist of royalty receivables and other assets. The royalty receivable is expected to be collected within one year and is recorded as royalty income when earned. No allowance has been recorded for the years ended June 30, 2019 and 2018, as management deems the receivable to be fully collectible.

GRANTS RECEIVABLE

Grants receivable consists of amounts due to Chalmers from foundations wherein the foundation has unconditionally promised to contribute funds to Chalmers in future periods. Chalmers expects to receive \$400,000 in grants receivable for both of the years ended June 30, 2020 and 2021. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall grant receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical payment patterns from the foundations and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. As of June 30, 2019, no allowance for doubtful accounts has been recorded as management has determined that substantially all grants receivable will be collected.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANTS RECEIVABLE, continued:

Grants receivable expected to be collected within one year are recorded as support and a receivable at net realizable value. Grants receivable expected to be collected in future years are recorded as revenue and a receivable at the present value of the expected future cash flows. Discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. For grants received during the year ended June 30, 2019, the discount rate used was 1.76%. Amortization of discounts is included in contribution revenue. As of June 30, 2019, no discount was recorded due to immateriality.

PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. Chalmers generally capitalizes and reports property and equipment acquisitions in excess of \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

- *Net assets without donor restrictions* are currently available at the discretion of the board for use in operations. Net investment in property and equipment represent amounts invested in property and equipment net of accumulated depreciation.
- *Net assets with donor restrictions* are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned with support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Chalmers. Fee income received in advance is recorded as deferred revenue.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications. All contributions are considered without donor restriction use unless the use has been specifically restricted by the donor or other legal restrictions.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

Chalmers reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Chalmers reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Gifts-in-kind include contributions of noncash items. Gifts-in-kind that can be used or sold are measured at fair value. During the years ended June 30, 2019 and 2018, the donations received primarily consist of donated rent totaling \$33,000 for both years ended. In addition, for the years ended June 30, 2019 and 2018, gifts-in-kind included donated services. Donated services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Chalmers. During the years ended June 30, 2019 and 2018, donated services in the form of donated salaries meeting the criteria for recognition in the financial statements totaled \$168,831 for both years ended.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities of Chalmers have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Chalmers adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 8).

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects Chalmers' financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Chalmers considers general expenditures to be all expenditures related to its ongoing activities to achieve its mission as well as the conduct of services undertaken to support those activities to be general expenditures. Chalmers has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Notes to Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 960,122
Accounts receivable	31,129
	991,251
Less those not available for general expenditure within one year:	
Grants receivable	(400,000)
	\$ 591,251

As part of Chalmers' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Chalmers has \$1,564,113 in net assets with donor restrictions for various purposes including project support. These funds are considered available to meet needs for general expenditures as time restrictions are met.

4. OTHER ASSETS:

Other assets consist of:

	June 30,	
	2019	2018
Accounts receivable	\$ 31,129	\$ 28,317
Fee receivable	-	10,855
Other assets	21,651	4,025
	\$ 52,780	\$ 43,197

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Notes to Financial Statements

June 30, 2019 and 2018

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2019	2018
Office furniture and equipment	\$ 124,294	\$ 127,473
Leasehold improvements	186,543	186,543
	310,837	314,016
Less accumulated depreciation	(273,742)	(273,173)
	\$ 37,095	\$ 40,843

6. NET ASSETS:

Net assets consist of:

	June 30,	
	2019	2018
Without donor restrictions:		
Undesignated–available for general activities	\$ 55,902	\$ 631,499
Net investment in property and equipment	37,095	40,843
	92,997	672,342
With donor restrictions:		
Business innovation	609,500	-
Social innovation	637,500	-
Restore / strategic partnerships	124,309	-
Online learning	118,393	-
International training	56,782	227,096
Other programs	17,629	138,104
	1,564,113	365,200
	\$ 1,657,110	\$ 1,037,542

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Notes to Financial Statements

June 30, 2019 and 2018

7. **LEASE COMMITMENTS:**

Chalmers leases office space in Lookout Mountain, Georgia. The terms of the operating lease, which expire April 1, 2021, includes annual rent payments of \$1 per year. Chalmers was required to make leasehold improvements to the premises and has done so. Donated rent totaled \$33,000 for both years ended June 30, 2019 and 2018.

Future minimum lease payments (with initial or remaining lease terms in excess of one year) as of June 30, 2019, are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2020	\$ 33,000
2021	24,750
	<u>\$ 57,750</u>

8. **EXPENSES BY BOTH NATURE AND FUNCTION:**

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of Chalmers. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, and occupancy are allocated on a square-footage basis. Payroll and benefits are allocated on employee time and effort.

Functional expenses by natural classification as of June 30, 2019:

	<u>Program Services</u>	<u>Supporting Activities</u>			<u>Total Expenses</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	<u>Subtotal</u>	
Salaries and benefits	\$ 1,098,448	\$ 82,875	\$ 50,851	\$ 133,726	\$ 1,232,174
Contract services	522,514	40,899	94,315	135,214	657,728
Awards and scholarships	234,118	-	-	-	234,118
Travel and meetings	105,257	13,025	36,899	49,924	155,181
Office and occupancy	62,276	7,739	7,987	15,726	78,002
Other operating expenses	96,660	35,603	12,336	47,939	144,599
	<u>\$ 2,119,273</u>	<u>\$ 180,141</u>	<u>\$ 202,388</u>	<u>\$ 382,529</u>	<u>\$ 2,501,802</u>

**CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.**

Notes to Financial Statements

June 30, 2019 and 2018

8. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of June 30, 2018:

	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fundraising	Subtotal	
Salaries and benefits	\$ 952,651	\$ 51,228	\$ 47,156	\$ 98,384	\$ 1,051,035
Contract services	440,124	47,094	54,370	101,464	541,588
Awards and scholarships	249,689	-	-	-	249,689
Travel and meetings	73,782	7,622	36,352	43,974	117,756
Office and occupancy	62,518	8,209	8,171	16,380	78,898
Other operating expenses	93,579	23,801	13,266	37,067	130,646
	<u>\$ 1,872,343</u>	<u>\$ 137,954</u>	<u>\$ 159,315</u>	<u>\$ 297,269</u>	<u>\$ 2,169,612</u>

9. TAX DEFERRED RETIREMENT PLAN:

Chalmers operates a 401(k) tax deferred retirement plan for employees who have completed 90 days of service. Employee elective deferrals are matched by Chalmers 100% up to 3% of eligible earning per year. Chalmers contributed \$22,306 and \$26,809 to the plan as the employer provided match for the years ended June 30, 2019 and 2018, respectively.

10. CONCENTRATIONS:

During the years ended June 30, 2019 and 2018, Chalmers received 83% of its total contributions from the top ten donors in both years then ended. Chalmers' operations and program services could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 17, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.