



The  
Chalmers  
Center

CHALMERS CENTER  
FOR ECONOMIC DEVELOPMENT  
AT COVENANT COLLEGE, INC.

Financial Statements  
With Independent Auditors' Report

June 30, 2020 and 2019

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

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

## 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, 2020 and 2019, 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, 2020 and 2019, 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.

*Capin Crouse LLP*

Lawrenceville, Georgia  
February 10, 2021

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

**Statements of Financial Position**

	June 30,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,152,626	\$ 960,122
Other current assets	35,739	52,780
Grants receivable	400,000	800,000
Property and equipment—net	14,762	37,095
<b>Total Assets</b>	<b>\$ 1,603,127</b>	<b>\$ 1,849,997</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 160,273	\$ 152,087
Deferred revenue	56,495	40,800
	216,768	192,887
<b>Net assets:</b>		
Without donor restrictions	5,552	92,997
With donor restrictions	1,380,807	1,564,113
	1,386,359	1,657,110
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,603,127</b>	<b>\$ 1,849,997</b>

See notes to financial statements

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

**Statements of Activities**

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,356,923	\$ 879,312	\$ 2,236,235	\$ 932,127	\$ 1,771,838	\$ 2,703,965
Gift-in-kind	201,396	-	201,396	201,831	-	201,831
Royalty income	38,640	-	38,640	66,333	-	66,333
Fee income	174,082	-	174,082	149,241	-	149,241
Total support and revenue	1,771,041	879,312	2,650,353	1,349,532	1,771,838	3,121,370
<b>RECLASSIFICATIONS:</b>						
Net assets released from restriction by satisfaction of purpose and/or time restrictions	1,062,618	(1,062,618)	-	572,925	(572,925)	-
<b>EXPENSES:</b>						
Program services	2,357,991	-	2,357,991	2,119,273	-	2,119,273
Supporting activities:						
General and administrative	242,550	-	242,550	180,141	-	180,141
Fundraising	320,563	-	320,563	202,388	-	202,388
	563,113	-	563,113	382,529	-	382,529
Total Expenses	2,921,104	-	2,921,104	2,501,802	-	2,501,802
Change in Net Assets	(87,445)	(183,306)	(270,751)	(579,345)	1,198,913	619,568
Net Assets, Beginning of Year	92,997	1,564,113	1,657,110	672,342	365,200	1,037,542
Net Assets, End of Year	\$ 5,552	\$ 1,380,807	\$ 1,386,359	\$ 92,997	\$ 1,564,113	\$ 1,657,110

See notes to financial statements

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

**Statements of Cash Flows**

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (270,751)	\$ 619,568
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	24,437	24,186
Noncash contribution	(270,766)	
Changes in operating assets and liabilities:		
Other assets	17,041	(9,583)
Grants receivable	400,000	(800,000)
Accounts payable and accrued expenses	8,186	114,582
Deferred revenue	15,695	(6,059)
Net Cash Provided (Used) by Operating Activities	(76,158)	(57,306)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(2,104)	(20,438)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of note payable	270,766	
Net Change in Cash and Cash Equivalents	192,504	(77,744)
Cash and Cash Equivalents, Beginning of Period	960,122	1,037,866
Cash and Cash Equivalents, End of Period	\$ 1,152,626	\$ 960,122

See notes to financial statements

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

## Notes to Financial Statements

June 30, 2020 and 2019

### 1. NATURE OF ORGANIZATION:

Chalmers Center for Economic Development at Covenant College, Inc. (Chalmers or Chalmers Center) 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.

Since 1999, the Chalmers Center has been an industry pioneer in developing and disseminating church-centered, gospel-driven, economic development innovations including savings-led microfinance, microenterprise development, financial literacy, jobs preparedness, and matched savings programs.

We equip churches with products & resources to think differently about poverty and start helping—locally and globally. We've equipped more than tens of thousands of churches and nonprofits to help people in poverty in biblical, effective ways.

We are known by many on account of the book *When Helping Hurts*, co-authored by Dr. Brian Fikkert, our Founder and President, and Steve Corbett. With over 500,000 copies sold, it continues to challenge and change the paradigm of many churches when it comes to poverty alleviation. Moreover, it has created an increasing demand for us as an organization to provide and distribute additional tools and training.

The Chalmers Center has a successful history of designing innovative ministries that even the poorest churches on the planet can use to declare and demonstrate the good news of the Kingdom of God. These ministries reflect the Chalmers Center's gospel-centered theory of change and associated ministry design principles. Moving forward, building on the Chalmers Center's experience and core competencies, the Chalmers Center plans to develop even more Kingdom-centered innovations for the church.

For more information, please visit [www.chalmers.org](http://www.chalmers.org).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial 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.



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

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2020 and 2019, cash balances exceeded federally insured limits by \$902,177 and \$511,309, respectively.

#### OTHER CURRENT ASSETS

Other current assets consist of royalty receivables and other current 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, 2020 and 2019, 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 the year ended June 30, 2021. The allowance for doubtful grants 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 grants 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, 2020 and 2019, no allowance for doubtful grants has been recorded as management has determined that substantially all grants receivable will be collected.

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. As of June 30, 2020 and 2019, no discount has been recorded as grants receivable are collectible within one year.

#### 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.

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

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 and contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Fee income received in advance is recorded as deferred revenue in the accompanying statements of financial position. Essentially all deferred revenue from the prior period has been recognized in the current period.

Gifts of cash and other assets are reported as support with donor restrictions 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 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.

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

## Notes to Financial Statements

June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

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, 2020 and 2019, the donations received primarily consist of donated rent totaling \$201,396 and \$201,831, respectively. In addition, for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, donated services, in the form of donated salaries meeting the criteria for recognition in the financial statements, totaled \$168,396 and \$168,831, respectively.

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 STANDARDS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. Chalmers adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Analysis of various provisions of this standard resulted in no changes in the way Chalmers recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of this standard had no effect on change in net assets or net assets in total.

In 2018, FASB also issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Chalmers adopted the provisions of this new standard during the year ended June 30, 2020. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total.

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

**Notes to Financial Statements**

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects Chalmers' financial assets as of June 30, 2020 and 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.

	June 30,	
	2020	2019
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,152,626	\$ 960,122
Accounts receivable	34,084	31,129
Grants receivable	400,000	800,000
	1,586,710	1,791,251
Less those not available for general expenditure within one year:		
Grants receivable due beyond one year	-	(400,000)
	-	(400,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,586,710	\$ 1,391,251

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. At June 30, 2020, Chalmers has \$1,389,807 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/purpose restrictions are met.

4. OTHER CURRENT ASSETS:

Other current assets consist of:

	June 30,	
	2020	2019
Accounts receivable	\$ 34,084	\$ 31,129
Other assets	1,655	21,651
	\$ 35,739	\$ 52,780

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

**Notes to Financial Statements**

June 30, 2020 and 2019

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	June 30,	
	2020	2019
Office furniture and equipment	\$ 126,398	\$ 124,294
Leasehold improvements	186,543	186,543
	312,941	310,837
Less accumulated depreciation	(298,179)	(273,742)
	\$ 14,762	\$ 37,095

6. NET ASSETS:

Net assets consist of:

	June 30,	
	2020	2019
Without donor restrictions:		
Undesignated—available for general activities	\$ (9,210)	\$ 55,902
Net investment in property and equipment	14,762	37,095
	5,552	92,997
With donor restrictions:		
Business innovation	537,755	609,500
Social innovation	505,764	637,500
Restore / strategic partnerships	-	124,309
Online learning	198,424	118,393
International training	128,918	56,782
Other programs	9,946	17,629
	1,380,807	1,564,113
	\$ 1,386,359	\$ 1,657,110

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

## Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019.

Future minimum lease payments as of June 30, 2020, amount to \$24,750 and are estimated to be incurred during the year ending June 30, 2021.

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, 2020:

	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fundraising	Subtotal	
Salaries and benefits	\$ 1,377,491	\$ 190,270	\$ 170,856	\$ 361,126	\$ 1,738,617
Contract services	433,970	16,657	87,170	103,827	537,797
Awards and scholarships	287,365	-	-	-	287,365
Travel and meetings	105,450	4,611	42,419	47,030	152,480
Office and occupancy	58,227	7,404	8,116	15,520	73,747
Other operating expenses	95,488	23,608	12,002	35,610	131,098
	\$ 2,357,991	\$ 242,550	\$ 320,563	\$ 563,113	\$ 2,921,104

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

**Notes to Financial Statements**

June 30, 2020 and 2019

8. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

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

	Program Services	Supporting Activities			Total Expenses
		General and Administrative	Fundraising	Subtotal	
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>

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 \$29,683 and \$22,306 to the plan as the employer provided match for the years ended June 30, 2020 and 2019, respectively.

10. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Chalmers for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. As part of the response to the impact of COVID-19, Chalmers applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. Chalmers was approved for and received the proceeds of a loan in the amount of \$270,766. The loan bears interest at a fixed rate of 1.00% and is due May 2022. For the year ended June 30, 2020, in accordance with FASB ASC 958-605, Chalmers has recognized in the accompanying statement of activities, a noncash contribution without donor restrictions for the full amount of the proceeds received. Based on the provisions included in the CARES Act. The loan agreement provides for loan forgiveness up to the full amount of the loan, provided Chalmers overcomes (meets) certain loan stipulations.

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

**Notes to Financial Statements**

June 30, 2020 and 2019

10. RISKS AND UNCERTAINTIES, continued:

As part of the further response to the impact of COVID-19, Chalmers applied for a Second Draw PPP Loan, administered by the SBA, under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act), which was signed into law in December 2020, in the amount of \$279,000. Chalmers is awaiting approval of the application.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 10, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.