The
Chalmers
Center

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

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

CAPINCROUSE LLP

# 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

***Opinion***

We have audited the accompanying financial statements of Chalmers Center for Economic Development at Covenant College, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Chalmers Center for Economic Development at Covenant College, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chalmers Center for Economic Development at Covenant College, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Chalmers Center for Economic Development at Covenant College, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chalmers Center for Economic Development at Covenant College, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Lawrenceville, Georgia
September 29, 2023

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

## Statements of Financial Position

| | June 30, | |
|---|---|---|
| | 2023 | 2022 |
| ASSETS: | | |
| Cash and cash equivalents | $ 230,551 | $ 497,680 |
| Other assets | 48,166 | 35,353 |
| Grant receivable | - | 150,000 |
| Property and equipment–net | 8,632 | 15,108 |
| Total Assets | $ 287,349 | $ 698,141 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 127,070 | $ 124,263 |
| Deferred revenue | 28,714 | - |
| Total liabilities | 155,784 | 124,263 |
| Net assets (deficit): | | |
| Without donor restrictions | (82,812) | 109,576 |
| With donor restrictions | 214,377 | 464,302 |
| Total net assets | 131,565 | 573,878 |
| Total Liabilities and Net Assets | $ 287,349 | $ 698,141 |

See notes to financial statements

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

## Statements of Activities

| | 2023 Without Donor Restrictions | 2023 With Donor Restrictions | 2023 Total | 2022 Without Donor Restrictions | 2022 With Donor Restrictions | 2022 Total |
|---|---|---|---|---|---|---|
| | Year Ended June 30, | | | | | |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions | $ 2,010,015 | $ 300,751 | $ 2,310,766 | $ 1,966,569 | $ 212,085 | $ 2,178,654 |
| Gifts-in-kind | 208,560 | - | 208,560 | 212,137 | - | 212,137 |
| Fees | 318,425 | - | 318,425 | 333,400 | - | 333,400 |
| Royalties | 29,772 | - | 29,772 | 27,985 | - | 27,985 |
| Total Support and Revenue | 2,566,772 | 300,751 | 2,867,523 | 2,540,091 | 212,085 | 2,752,176 |
| RECLASSIFICATIONS: | | | | | | |
| Net assets released from restriction by satisfaction of purpose and/or time restrictions | 550,676 | (550,676) | - | 614,964 | (614,964) | - |
| EXPENSES: | | | | | | |
| Program services | 2,374,437 | - | 2,374,437 | 2,454,634 | - | 2,454,634 |
| Supporting activities: | | | | | | |
| General and administrative | 367,619 | - | 367,619 | 199,588 | - | 199,588 |
| Fundraising | 567,780 | - | 567,780 | 501,490 | - | 501,490 |
| | 935,399 | - | 935,399 | 701,078 | - | 701,078 |
| Total Expenses | 3,309,836 | - | 3,309,836 | 3,155,712 | - | 3,155,712 |
| Change in Net Assets | (192,388) | (249,925) | (442,313) | (657) | (402,879) | (403,536) |
| Net Assets, Beginning of Year | 109,576 | 464,302 | 573,878 | 110,233 | 867,181 | 977,414 |
| Net Assets (Deficit), End of Year | $ (82,812) | $ 214,377 | $ 131,565 | $ 109,576 | $ 464,302 | $ 573,878 |

See notes to financial statements

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

## Statements of Cash Flows

| | Year Ended June 30, 2023 | Year Ended June 30, 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (442,313) | $ (403,536) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 6,476 | 9,842 |
| Changes in operating assets and liabilities: | | |
| Other assets | (12,813) | (12,482) |
| Grants receivable | 150,000 | 250,000 |
| Accounts payable and accrued expenses | 2,807 | (46,829) |
| Deferred revenue | 28,714 | (3,458) |
| Net Cash Used by Operating Activities | (267,129) | (206,463) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (14,387) |
| Net Change in Cash and Cash Equivalents | (267,129) | (220,850) |
| Cash and Cash Equivalents, Beginning of Period | 497,680 | 718,530 |
| Cash and Cash Equivalents, End of Period | $ 230,551 | $ 497,680 |

See notes to financial statements

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

**Notes to Financial Statements**

June 30, 2023 and 2022

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis in conformity 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.

2. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking accounts. From time to time cash accounts may exceed federally insured limits; however, Chalmers has not experienced any losses in such accounts. As of June 30, 2023 and 2022, cash balances exceeded federally insured limits by $0 and $220,045, 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 revenue when earned. No allowance has been recorded for the years ended June 30, 2023 and 2022, as management deems the receivable to be fully collectible.

GRANT RECEIVABLE

Grant receivable consists of amounts due to Chalmers from a certain foundation wherein the foundation has unconditionally promised to contribute funds to Chalmers in future periods. The allowance for doubtful grant 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 grant includes, but is not limited to, the historical payment patterns from the foundation and general economic conditions. This process is based on estimates, and ultimate loss may vary from current estimates. As of June 30, 2023 and 2022, no allowance for doubtful grant receivable has been recorded as management has determined that the grant receivable is fully collectible.

Amounts expected to be collected within one year are recorded as support and a receivable at net realizable value. Amounts 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, 2022, no discount has been recorded as the grant receivable is 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.

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 represents 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. Contributions with donor restrictions which have been fully expended for their intended purposes within the reporting period are reported as contributions without donor restrictions. All contributions are considered available for use without donor restrictions unless 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.

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, 2023 and 2022, the donations received consist of donated rent and services totaling $208,560 and $212,137, respectively.

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, 2023 and 2022, donated services, in the form of donated salaries meeting the criteria for recognition in the financial statements, totaled $172,560 and $176,137, 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.

3. LIQUIDITY AND FUNDS AVAILABLE:
The following reflects Chalmers' financial assets as of June 30, 2023 and 2022, 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.

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

| | June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets, at year-end: | | |
| Cash and cash equivalents | $ 230,551 | $ 497,680 |
| Other assets: | | |
| Accounts receivable | 33,253 | 32,353 |
| Grants receivable | - | 150,000 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 263,804 | $ 680,033 |

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, 2023, Chalmers has $214,377 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. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

| | June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Office furniture and equipment | $ 142,167 | $ 142,167 |
| Leasehold improvements | 186,543 | 186,543 |
| | 328,710 | 328,710 |
| Less accumulated depreciation | (320,078) | (313,602) |
| | $ 8,632 | $ 15,108 |

5. NET ASSETS (DEFICIT):

Net assets (deficit) consist of:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Without donor restrictions: | | |
| Undesignated–available for general activities (deficit) | $ (91,444) | $ 94,468 |
| Net investment in property and equipment | 8,632 | 15,108 |
| | (82,812) | 109,576 |
| With donor restrictions (both purpose/time): | | |
| Business innovation | 116,098 | 297,433 |
| Social innovation | 88,539 | 136,529 |
| Online learning | - | 10,340 |
| International training | 9,740 | 20,000 |
| | 214,377 | 464,302 |
| | $ 131,565 | $ 573,878 |

6. 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, and occupancy are allocated on a square-footage basis. Salaries and benefits are allocated on employee time and effort.

Functional expenses by natural classification as of June 30, 2023:

| | | Supporting Activities | | | |
|---|---|---|---|---|---|
| | Program Services | General and Administrative | Fundraising | Subtotal | Total Expenses |
| Salaries and benefits | $ 1,353,695 | $ 226,381 | $ 393,910 | $ 620,291 | $ 1,973,986 |
| Contract services | 552,914 | 86,497 | 87,490 | 173,987 | 726,901 |
| Awards and scholarships | 183,353 | - | - | - | 183,353 |
| Travel and meetings | 83,950 | 11,996 | 36,730 | 48,726 | 132,676 |
| Office and occupancy | 92,902 | 11,667 | 11,640 | 23,307 | 116,209 |
| Other operating expenses | 107,623 | 31,078 | 38,010 | 69,088 | 176,711 |
| | $ 2,374,437 | $ 367,619 | $ 567,780 | $ 935,399 | $ 3,309,836 |

Functional expenses by natural classification as of June 30, 2022:

| | | Supporting Activities | | | |
|---|---|---|---|---|---|
| | Program Services | General and Administrative | Fundraising | Subtotal | Total Expenses |
| Salaries and benefits | $ 1,434,011 | $ 139,213 | $ 303,784 | $ 442,997 | $ 1,877,008 |
| Contract services | 602,212 | 21,667 | 128,385 | 150,052 | 752,264 |
| Awards and scholarships | 222,154 | - | - | - | 222,154 |
| Travel and meetings | 56,221 | 4,580 | 37,426 | 42,006 | 98,227 |
| Office and occupancy | 60,697 | 8,400 | 10,034 | 18,434 | 79,131 |
| Other operating expenses | 79,339 | 25,728 | 21,861 | 47,589 | 126,928 |
| | $ 2,454,634 | $ 199,588 | $ 501,490 | $ 701,078 | $ 3,155,712 |

7. DONOR CONCENTRATIONS:

For the years ended June 30, 2023 and 2022, 12% of total contributions were given by two donors, and 19% of total contributions were given by three donors, respectively. Chalmer's operations and program activities could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

8. 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 earnings per year. Chalmers contributed $30,765 and $24,632 to the plan as the employer provided match for the years ended June 30, 2023 and 2022, respectively.

9. SUBSEQUENT EVENTS AND RELATED PARTY TRANSACTIONS:

Effective July 1, 2023, Chalmers entered into two separate but identical revolving line of credit agreements (the agreements) with a member of the board and a member of management. The agreements are in the amount of $100,000 and bear interest at a rate of 5%. The agreements mature one year from the date of the agreements.

Subsequent events have been evaluated through September 29, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.