CHALMERS CENTER
FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

HENDERSON HUTCHERSON & McCULLOUGH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Chalmers Center for Economic Development at Covenant College, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 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 audit provides 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 Chalmers Center for Economic Development at Covenant College, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Chattanooga, Tennessee
April 13, 2012

Henderson Hutcherson
& McCullough, PLLC

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CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

ASSETS

	2011
CURRENT ASSETS	
Cash	$ 948,117
Accounts receivable	5,473
Inventory	1,265
Total current assets	954,855
PROPERTY AND EQUIPMENT	
Furniture and equipment	65,160
Leasehold improvements	106,109
Less: Accumulated depreciation	(13,857)
Cost less accumulated depreciation	157,412
OTHER ASSETS	
Security deposits	600
TOTAL ASSETS	$ 1,112,867

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 20,098
Unearned revenue	2,250
Accrued payroll	17,737
Accrued expenses	1,551
Total current liabilities	41,636
NET ASSETS	
Unrestricted	392,527
Temporairily restricted	678,704
Total net assets	1,071,231
TOTAL LIABILITIES AND NET ASSETS	$ 1,112,867

The accompanying notes are an integral part of the financial statements.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	$ 386,935	$ 71,152	$ 458,087
Fee income	39,719	-	39,719
Grant income	209,698	909,500	1,119,198
In-kind services	150,432	-	150,432
Interest income	452	-	452
Inventory sales	28,815	-	28,815
Royalty income	57,732	-	57,732
Other income	221	-	221
Net assets released from temporary restriction	678,758	(678,758)	-
Total support and revenue	1,552,762	301,894	1,854,656
OPERATING EXPENSES			
Advertising expense	1,167	-	1,167
Conference and convention expenses	5,497	-	5,497
Contract services	170,890	-	170,890
Cost of goods sold	24,699	-	24,699
Depreciation	13,269	-	13,269
Dues and subscriptions	3,220	-	3,220
Facilities maintenance	2,906	-	2,906
IT service fees	25,730	-	25,730
In-kind professor services	143,432	-	143,432
In-kind rent	7,000	-	7,000
Meals and lodging	25,174	-	25,174
Miscellaneous	64,473	-	64,473
Office supplies	33,097	-	33,097
Payroll taxes	45,853	-	45,853
Postage and mailing supplies	2,448	-	2,448
Printing and copying	17,932	-	17,932
Professional services	7,790	-	7,790
Rent expense	11,482	-	11,482
Salaries, wages and commissions	701,286	-	701,286
Staff development	4,898	-	4,898
Telephone and communications	7,738	-	7,738
Travel expense	56,704	-	56,704
Total operating expenses	1,376,685	-	1,376,685
INCREASE (DECREASE) IN NET ASSETS	176,077	301,894	477,971
Net assets, beginning	216,450	376,810	593,260
Net assets, ending	$ 392,527	$ 678,704	$ 1,071,231

The accompanying notes are an integral part of the financial statements.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	2011
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 477,971
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,269
(Increase) decrease in operating assets	
Accounts receivable	103,645
Grants receivable	180,550
Inventory	(150)
Other assets	(600)
Increase (decrease) in operating liabilities	
Accounts payable	20,098
Unearned revenue	(103,940)
Accrued payroll	17,737
Accrued expenses	1,551
Net cash from operating activities	710,131
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(161,350)
Net cash from investing activities	(161,350)
NET INCREASE IN CASH	548,781
Cash - beginning of period	399,336
Cash - end of period	$ 948,117

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The Chalmers Center for Economic Development at Covenant College, Inc. (the Organization) is a Georgia tax-exempt Organization that researches and trains groups around the world in economic development models and strategies. The training is provided to pastors, churches and missionaries to understand the spiritual, economic and social needs of low-income individuals. The Organization provides field tested training curricula in formats of self study, distance learning, and live training workshops. The ministry training focuses on microfinance and microenterprise development. The organization receives approximately 60% of its support from Public Grants for specific project initiatives, 25% of its support from public contributions (for which the donors receive no material goods or services in return), 12% of its support from sales of materials and consulting services, and 3% from royalties.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its *Accounting Standards Codification (*ASC*)* Topic 958*,* Not-for-Profit Entities. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same period in which the support was received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a donor 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 statement of net activities as net assets released from restrictions.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. The Organization has not received any support that would be classified as permanently restricted.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

In the normal course of business, the Organization extends credit to its customers, and evaluates the status of outstanding balances on a regular basis. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. The Organization does not charge interest on past due accounts.

Trade accounts receivable are stated at the amount the Organization expects to collect. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted annually based upon a review of outstanding receivables. After management's review of the accounts receivable aging, no provision for uncollectible accounts is deemed necessary.

Inventories

Inventories represent book merchandise purchased from a publisher and sold to bookstores. Purchased inventories are recorded at cost. Inventories are stated at the lower of cost or market; accordingly, inventory valuation allowances are established, if necessary, when inventory carrying values are in excess of estimated selling prices, net of direct costs of disposal. Management has evaluated inventories and determined that a valuation allowance is not necessary.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with the explicit restrictions regarding their use and contributions of cash that must be used to acquire, repair, or improve property and equipment are recorded as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of restrictions when the donor's specifications are fulfilled. The Organization reclassifies temporarily restricted net assets to unrestricted net assets when the donor's specifications are fulfilled. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets.

Royalties

Royalties arise as part of the agreement with the publisher of the book merchandise. At December 31, 2011, there were no commitments for advances payable or future royalties guaranteed.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $1,167 for the period ended December 31, 2011.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Fair Value of Financial Instruments

The Organization uses the carrying amounts reported in the statement of financial position for cash and accounts receivable as approximating their fair value because of the short maturities of those instruments.

NOTE 2 – DEPRECIATION OF FURNITURE AND EQUIPMENT

Property and equipment acquisitions in excess of $1,000 with useful lives greater than one year are recorded at cost. Depreciation is provided over the estimated useful lives of depreciable assets and is computed using straight-line and accelerated methods. The Center has $13,269 of depreciation expense for the period ended December 31, 2011.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at one financial institution. Accounts at the institution are secured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2011, the uninsured balance was $633,236.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of contributions restricted by the donor for specific purposes or with time restrictions. Such contributions are reported as temporarily restricted net assets and are reclassified to unrestricted net assets when the restrictions have been satisfied. As of December 31, 2011, temporarily restricted net assets are available to be used for the following purposes:

	2011
General fund	$ 263,803
ASSET project	186,252
ADDC project	122,023
WAS fund	78,000
Training	28,626
	$ 678,704

NOTE 5 – LEASES

On April 1, 2011, the Organization entered into a lease agreement with See Rock City, Inc. for the period September 1, 2011 through August 30, 2016. In exchange for performing major renovations to the premises, the Organization is granted 5-years occupancy rent free. The Organization has recorded the monthly fair market value of the rent of $1,750 per month as in-kind contributions and in-kind rent expense. The total for 2011 is $7,000.

NOTE 6 – UNCERTAIN TAX POSITIONS

The Organization is considered an exempt Organization from Federal and state income taxes. However, in the event that the Organization partakes in an activity that could jeopardize this tax-exempt status, the Organization would be subject to income tax.

The Organization follows the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC Topic 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. Management has not identified any uncertain tax positions requiring recognition or disclosure.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the independent auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.