



The
Chalmers
Center

CHALMERS CENTER
FOR ECONOMIC DEVELOPMENT
AT COVENANT COLLEGE, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2016 and 2015

**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., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the year and six months 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 auditor's 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, 2016 and 2015, and the changes in its net assets and cash flows for the year and six months then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Atlanta, Georgia
December 8, 2016

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

Statements of Financial Position

	June 30,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 1,133,598	\$ 886,196
Accounts receivable and other assets	50,049	36,810
Property and equipment–net	117,781	68,267
Total Assets	\$ 1,301,428	\$ 991,273
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 148,285	\$ 69,413
Net assets:		
Unrestricted	720,204	870,071
Temporarily restricted	432,939	51,789
	1,153,143	921,860
Total Liabilities and Net Assets	\$ 1,301,428	\$ 991,273

See notes to financial statements

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

Statements of Activities

	Year Ended June 30,			Six Months Ended June 30,		
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,125,924	\$ 1,153,177	\$ 2,279,101	\$ 448,053	\$ 48,134	\$ 496,187
Gift-in-kind	230,334	-	230,334	98,413	-	98,413
Royalty income	63,372	-	63,372	45,792	-	45,792
Fee income	133,308	-	133,308	76,440	-	76,440
Other income	573	-	573	1,272	-	1,272
Total support and revenue	<u>1,553,511</u>	<u>1,153,177</u>	<u>2,706,688</u>	<u>669,970</u>	<u>48,134</u>	<u>718,104</u>
RECLASSIFICATIONS:						
Net assets released from restriction by satisfaction of program restrictions	<u>772,027</u>	<u>(772,027)</u>	<u>-</u>	<u>86,345</u>	<u>(86,345)</u>	<u>-</u>
EXPENSES:						
Program services	1,818,058	-	1,818,058	843,486	-	843,486
General and administrative	264,776	-	264,776	143,230	-	143,230
Fund-raising	392,571	-	392,571	140,472	-	140,472
Total Expenses	<u>2,475,405</u>	<u>-</u>	<u>2,475,405</u>	<u>1,127,188</u>	<u>-</u>	<u>1,127,188</u>
Change in Net Assets	(149,867)	381,150	231,283	(370,873)	(38,211)	(409,084)
Net Assets, Beginning of Period	<u>870,071</u>	<u>51,789</u>	<u>921,860</u>	<u>1,240,944</u>	<u>90,000</u>	<u>1,330,944</u>
Net Assets, End of Period	<u>\$ 720,204</u>	<u>\$ 432,939</u>	<u>\$ 1,153,143</u>	<u>\$ 870,071</u>	<u>\$ 51,789</u>	<u>\$ 921,860</u>

See notes to financial statements

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

Statements of Cash Flows

	<u>Year Ended</u> <u>June 30,</u> <u>2016</u>	<u>Six Months Ended</u> <u>June 30,</u> <u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 231,283	\$ (409,084)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	45,440	23,463
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(13,239)	1,799
Accounts payable and accrued expenses	78,872	38,672
Net Cash Provided (Used) by Operating Activities	<u>342,356</u>	<u>(345,150)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(94,954)	(1,069)
Net Cash Used by Investing Activities	<u>(94,954)</u>	<u>(1,069)</u>
Net Change in Cash and Cash Equivalents	247,402	(346,219)
Cash and Cash Equivalents, Beginning of Period	<u>886,196</u>	<u>1,232,415</u>
Cash and Cash Equivalents, End of Period	<u>\$ 1,133,598</u>	<u>\$ 886,196</u>
SUPPLEMENTAL DISCLOSURE:		
Purchase of property and equipment with accounts payable	<u>\$ 10,929</u>	<u>\$ -</u>

See notes to financial statements

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

The Chalmers Center for Economic Development at Covenant College, Inc. (Chalmers) is a Georgia nonprofit organization 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 with poverty alleviation tools that empower low-income people. By researching, field-testing, and training churches in practical ways to walk with the poor, the Chalmers Center 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 360,000 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 also equips 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*.

God has blessed Chalmers with a network of committed ministry partners. By subscribing to our monthly prayer letter, hundreds of people faithfully present the Chalmers Center's praises and requests before the throne of God. Our financial resource partners continue to be remarkably generous, enabling the Chalmers Center 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, 2016 and 2015

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.

RECLASSIFICATIONS

Certain financial statements and footnote information from prior year financial statements has been reclassified to conform with current year presentation format.

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 does not believe it is exposed to any significant risk.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets primarily consist of royalty income receivables. All accounts receivable are expected to be collected within one year and are recorded as royalty income when earned. No allowance was recorded for the year ended June 30, 2016, and six months ended June 30, 2015, as all receivables are deemed collectible.

PROPERTY AND EQUIPMENT

Chalmers capitalizes property and equipment in excess of \$1,000 at cost when purchased. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed over the estimated lives of the individual assets using the straight-line method. Estimated useful lives range from 3 to 5 years.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

- *Unrestricted net assets* are currently available for Chalmers' purposes or invested in property and equipment.
- *Temporarily restricted net assets* are contributed with donor stipulations for specific operating purposes or programs.

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash is received, unconditionally promised, or when ownership of noncash items are transferred to Chalmers. Contributed investments and noncash items are recorded at fair value on the date of the gift.

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. 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 statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or other legal restrictions.

Contributed securities and property are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt.

Revenues (including interest and other) are recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated services are recorded at fair value at the date of the gift. The services are received for management functions including developing and revising programs of development, policies, guidelines, and other documents necessary for Chalmers' continuing program of development. Donated rent is recorded at fair market value. Chalmers had donated services of \$197,334 and \$87,913, respectively, for the year ended June 30, 2016, and six months ended June 30, 2015. Chalmers had donated rent of \$33,000 and \$10,500, respectively, for the year ended June 30, 2016, and six months ended June 30, 2015.

ALLOCATION OF EXPENSES

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities based on the use of facilities, level of support effort, and relative program and supporting ministry benefited.

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

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2016 and 2015, Chalmers had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Chalmers files information tax returns in the U.S. and various states. Chalmers is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2016	2015
Office furniture, equipment, and leasehold improvements	\$ 318,823	\$ 223,869
Less accumulated depreciation	(201,042)	(155,602)
	\$ 117,781	\$ 68,267

4. NET ASSETS:

Net assets consist of:

	June 30,	
	2016	2015
Unrestricted:		
Undesignated–available for general activities	\$ 602,423	\$ 801,804
Net investment in property and equipment	117,781	68,267
	720,204	870,071
Temporarily restricted:		
International training	292,939	-
Other	140,000	51,789
	432,939	51,789
	\$ 1,153,143	\$ 921,860

CHALMERS CENTER FOR ECONOMIC DEVELOPMENT AT COVENANT COLLEGE, INC.

Notes to Financial Statements

June 30, 2016 and 2015

5. 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 is required to make leasehold improvements to the premises. Donated rent totaled \$33,000 and \$10,500 for the year ended June 30, 2016, and six months ended June 30, 2015. The future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2017	\$ 33,000
2018	33,000
2019	33,000
2020	33,000
2021	24,750
	<u>\$ 156,750</u>

6. CONCENTRATIONS:

During the year ended June 30, 2016, and the six months ended June 30, 2015, Chalmers received 61% and 84% of its contributions from the top ten donors, respectively. Management understands the implication of this concentration.

7. SUBSEQUENT EVENTS:

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