CBMC, INC.

Audited Financial Statements

Six-month Period Ended December 31, 2003
and Year Ended June 30, 2003

CBMC, INC.

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CBMC, Inc.:

We have audited the accompanying statements of financial position of CBMC, Inc., as of December 31, 2003 and June 30, 2003, and the related statements of activities, functional expenses, and cash flows for the six-month period ended December 31, 2003 and the year ended June 30, 2003. These financial statements are the responsibility of CBMC, Inc.'s management. 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 audits 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 audits provide 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 CBMC, Inc. as of December 31, 2003 and June 30, 2003 and the changes in its net assets and its cash flows for the six-month period and year then ended in conformity with accounting principles generally accepted in the United States of America.

Knoxville, Tennessee
January 23, 2004

CBMC, INC.

Statements of Financial Position

	December 31, 2003	*June 30, 2003*
ASSETS		
Cash and cash equivalents	**$ 1,754,006**	$ 1,112,202
Promises to give	**51,473**	14,645
Receivables, net	**19,483**	10,688
Inventories	**74,338**	79,459
Prepayments	**15,247**	20,051
Investments	**218,104**	226,229
Property held for sale	**10,000**	30,000
Property and equipment, net	**257,842**	263,650
Cash surrender value of life insurance policies	**159,472**	143,240
TOTAL ASSETS	**$ 2,559,965**	$ 1,900,164
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	**45,695**	37,203
Accrued salaries, benefits, and compensated absences	**146,935**	98,155
Other liabilities	**-**	8,891
Annuity obligations	**219,313**	228,704
Capital lease	**-**	1,970
TOTAL LIABILITIES	**411,943**	374,923
NET ASSETS		
Unrestricted	**497,375**	315,547
Temporarily restricted	**1,525,990**	1,085,037
Permanently restricted	**124,657**	124,657
TOTAL NET ASSETS	**2,148,022**	1,525,241
TOTAL LIABILITIES AND NET ASSETS	**$ 2,559,965**	$ 1,900,164

CBMC, INC.

Statement of Activities

Six-month Period Ended December 31, 2003

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
SUPPORT AND REVENUE				
Contributions	$ 412,065	$ 2,224,282	$ -	$ 2,636,347
Sales	91,276	-	-	91,276
Material and event support	3,111	98,494	-	101,605
Investment income	7,086	-	-	7,086
Other revenue	43,759	-	-	43,759
	557,297	2,322,776	-	2,880,073
Net assets released from restrictions	1,881,823	(1,881,823)	-	-
TOTAL SUPPORT AND REVENUE	2,439,120	440,953	-	2,880,073
EXPENSES AND LOSSES				
Program services				
Field Ministry	1,634,950	-	-	1,634,950
Forums	219,983	-	-	219,983
Ministry tools	115,480	-	-	115,480
Leadership development and training	4,795	-	-	4,795
Conference events	25,634	-	-	25,634
TOTAL PROGRAM SERVICES	2,000,842	-	-	2,000,842
Supporting services				
General and administrative	105,331	-	-	105,331
Cost of generating support	123,654	-	-	123,654
TOTAL SUPPORTING SERVICES	228,985	-	-	228,985
TOTAL EXPENSES	2,229,827	-	-	2,229,827
Loss on property held for sale	20,001	-	-	20,001
Change in value of annuity obligations	7,464	-	-	7,464
TOTAL EXPENSES AND LOSSES	2,257,292	-	-	2,257,292
CHANGE IN NET ASSETS	181,828	440,953	-	622,781
NET ASSETS, beginning of year	315,547	1,085,037	124,657	1,525,241
NET ASSETS, end of year	$ 497,375	$ 1,525,990	$ 124,657	$ 2,148,022

CBMC, INC.

Statement of Activities

Year Ended June 30, 2003

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
SUPPORT AND REVENUE				
Contributions	$ 829,614	$ 3,658,578	$ 125	$ 4,488,317
Sales	223,567	-	-	223,567
Material and event support	259,415	205,665	-	465,080
Investment income	13,593	-	-	13,593
Other revenue	64,656	-	-	64,656
	1,390,845	3,864,243	125	5,255,213
Net assets released from restrictions	3,923,658	(3,923,658)	-	-
TOTAL SUPPORT AND REVENUE	5,314,503	(59,415)	125	5,255,213
EXPENSES AND LOSSES				
Program services				
Field Ministry	3,185,747	-	-	3,185,747
Forums	310,876	-	-	310,876
Ministry tools	270,033	-	-	270,033
Leadership development and training	501,650	-	-	501,650
Conference events	309,394	-	-	309,394
TOTAL PROGRAM SERVICES	4,577,700	-	-	4,577,700
Supporting services				
General and administrative	263,578	-	-	263,578
Cost of generating support	271,334	-	-	271,334
TOTAL SUPPORTING SERVICES	534,912	-	-	534,912
TOTAL EXPENSES	5,112,612	-	-	5,112,612
(Gain) loss on disposal of property and equipment	(12,847)	-	-	(12,847)
Loss on property held for sale	-	-	-	-
Change in value of annuity obligations	105	-	-	105
TOTAL EXPENSES AND LOSSES	5,099,870	-	-	5,099,870
CHANGE IN NET ASSETS	214,633	(59,415)	125	155,343
NET ASSETS, beginning of year	100,914	1,144,452	124,532	1,369,898
NET ASSETS, end of year	$ 315,547	$ 1,085,037	$ 124,657	$ 1,525,241

CBMC, INC.

Statement of Functional Expenses

Six-month Period Ended December 31, 2003

	Program Services					Supporting Activities		
	Field Staff	*Forums*	*Ministry Tools*	*Leadership Training*	*Conference Events*	*General and Administrative*	*Fund Raising*	*Total*
Salaries	$ 928,547	$ 90,380	$ 40,578	$ -	$ 15,404	$ 38,900	$ 65,269	$ 1,179,078
Payroll taxes	63,382	6,418	3,013	-	1,138	2,862	4,770	81,583
Other benefits	158,328	16,189	11,388	-	3,740	13,979	16,113	219,737
Total salaries and benefits	1,150,257	112,987	54,979	-	20,282	55,741	86,152	1,480,398
Automobile	65,670	4,180	64	-	16	241	445	70,616
Travel	23,580	3,433	70	-	18	334	668	28,103
Meals	29,794	3,805	100	-	25	374	701	34,799
Meetings	11,560	532	24	-	6	72	42	12,236
Rent	61,637	12,300	12,937	-	-	7,762	5,175	99,811
Telephone	41,928	3,411	1,696	-	1,537	2,847	3,321	54,740
Supplies	12,600	928	1,166	743	22	368	312	16,139
Materials	40,568	4,507	25,511	-	14	288	232	71,120
Printing	13,148	562	33	291	8	1,386	1,693	17,121
Equipment	19,871	2,113	2,803	1,553	1,348	5,760	3,678	37,126
Data processing	1,136	(8)	1,995	278	323	(11)	123	3,836
Professional fees	17,428	54,923	3,130	245	538	15,290	9,318	100,872
Postage	14,191	1,293	7,879	1,685	149	1,403	5,102	31,702
Insurance	5,167	1,289	1,289	-	322	3,868	2,256	14,191
Depreciation	27,021	11,260	-	-	-	5,630	1,126	45,037
Interest	115	38	40	-	10	115	66	384
Other	99,279	2,430	1,764	-	1,016	3,863	3,244	111,596
	$ 1,634,950	$ 219,983	$ 115,480	$ 4,795	$ 25,634	$ 105,331	$ 123,654	$ 2,229,827

See notes to financial statements.

CBMC, INC.

Statement of Functional Expenses

Year Ended June 30, 2003

	Program Services					*Supporting Activities*		
	Field Staff	*Forums*	*Ministry Tools*	*Leadership Training*	*Conference Events*	*General and Administrative*	*Fund Raising*	*Total*
Salaries	$ 1,844,276	$ 166,415	$ 77,962	$ 192,054	$ 80,587	$ 82,410	$ 109,598	$ 2,553,302
Payroll taxes	127,190	12,514	6,882	15,009	6,610	6,758	9,380	184,343
Other benefits	280,209	25,111	18,574	35,425	18,475	19,182	18,528	415,504
Total salaries and benefits	2,251,675	204,040	103,418	242,488	105,672	108,350	137,506	3,153,149
Automobile	136,629	6,274	796	8,339	713	624	1,343	154,718
Travel	81,061	20,086	3,972	57,512	58,176	4,176	16,520	241,503
Meals	68,981	11,229	3,001	38,123	45,684	3,315	11,962	182,295
Meetings	165,147	3,936	798	32,374	7,216	1,359	4,216	215,046
Rent	97,618	10,743	15,128	5,997	5,043	60,511	5,043	200,083
Telephone	75,704	8,139	4,859	14,110	9,914	9,953	6,199	128,878
Supplies	19,353	3,315	1,634	3,670	1,134	1,396	846	31,348
Materials	72,425	2,598	61,552	8,506	519	425	981	147,006
Printing	30,622	10,173	4,335	10,242	5,837	5,277	8,174	74,660
Equipment	24,683	2,304	8,793	9,376	12,010	13,061	6,534	76,761
Data processing	4,263	1,191	7,516	2,817	3,535	2,761	1,767	23,850
Professional fees	27,400	11,381	15,059	38,058	22,886	18,257	17,372	150,413
Postage	32,227	2,284	19,167	4,104	2,469	2,380	28,771	91,402
Insurance	11,550	2,506	735	1,837	2,940	3,307	1,470	24,345
Depreciation	25,205	6,301	16,383	18,904	18,904	21,424	18,904	126,025
Interest	807	393	210	505	805	901	402	4,023
Other	60,397	3,983	2,677	4,688	5,937	6,101	3,324	87,107
	$ 3,185,747	$ 310,876	$ 270,033	$ 501,650	$ 309,394	$ 263,578	$ 271,334	$ 5,112,612

See notes to financial statements.

CBMC, INC.

Statements of Cash Flows

	Six-month Period Ended December 31, 2003	*Year Ended June 30, 2003*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 622,781	$ 155,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,037	126,025
Gain on disposal of equipment	-	(12,847)
Loss on property held for resale	20,000	-
Change in cash surrender value of life insurance policies	(16,232)	(8,174)
Change in value of annuity obligation	16,057	30,105
Proceeds from permanently restricted contributions	-	(125)
Net change in:		
Promises to give	(36,828)	(10,445)
Receivables, net	(8,795)	872
Inventories	5,121	6,931
Prepayments	4,804	(5,699)
Accounts payable and accrued expenses	8,492	1,072
Accrued salaries, benefits, and compensated absences	48,780	(8,753)
Other liabilities	(8,891)	1,991
Total adjustments	77,545	120,953
NET CASH PROVIDED BY OPERATING ACTIVITIES	700,326	276,296
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment transactions	(1,875)	(7,223)
Purchase of property and equipment	(39,229)	(40,463)
Proceeds from disposals of property and equipment	-	13,060
NET CASH USED IN INVESTING ACTIVITIES	(41,104)	(34,626)

	Six-month Period Ended December 31, 2003	*Year Ended June 30, 2003*
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(1,970)	(11,263)
Proceeds from permanently restricted contributions	-	125
Payments to annuitants	(15,448)	(30,193)
NET CASH USED IN FINANCING ACTIVITIES	(17,418)	(41,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS	641,804	200,339
CASH AND CASH EQUIVALENTS, beginning of year	1,112,202	911,863
CASH AND CASH EQUIVALENTS, end of year	$ 1,754,006	$ 1,112,202

NON-CASH TRANSACTION:

Payments to annuitants totaling $10,000 and $30,000 were paid directly from annuity investments during the six-month period ended December 31, 2003 and the year ended June 30, 2003, respectively.

NOTE A--ORGANIZATION, OPERATIONS AND BASIS OF PRESENTATION

CBMC, Inc. (CBMC) is a not-for-profit charitable organization incorporated under the laws of the State of Delaware in 1939. CBMC's mission is to present Jesus Christ as Savior and Lord to business and professional men, and to develop Christian business and professional men to carry out The Great Commission. CBMC has many affiliated local committees that conduct meetings and are active in their communities independent of this organization. The financial statements of the local committees are not required to be and have not been combined with the financial statements of CBMC.

CBMC is classified as an organization exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CBMC, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below.

Cash and Cash Equivalents: CBMC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. CBMC maintains cash and cash equivalent accounts at various financial institutions which at times may exceed federally insured amounts.

Promises to Give: Unconditional promises to give are recognized as support when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Inventories: Inventories consist of publications and other merchandise available for resale and are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Investments: Investments in marketable securities traded on a national securities exchange are stated at fair market value based on the last reported sales price on the valuation date. Other investments consist of insurance annuity contracts and are stated at cost. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments, is reported in the Statements of Activities.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment securities donated to CBMC are typically sold upon receipt or shortly thereafter and contribution income is recognized for the net proceeds.

Property held for sale is recorded at estimated fair value and consists of donated real estate. During the six-month period ended December 31, 2003, management evaluated the carrying value of this property and reduced it to an estimated net realizable value.

Property and Equipment: Expenditures for property and equipment in excess of $1,500 are capitalized at cost. Donated materials, supplies, and equipment, where significant in amount, are recorded as support at their estimated fair value.

Depreciation is provided on the straight-line method based on the following estimated useful lives of depreciable assets:

Furniture and equipment	5-10 years
Data processing	3-5 years
Vehicles	3-5 years
Leasehold improvements	5-15 years

Annuity Obligations: The liability for annuities is estimated based on the present value of expected future payments considering the beneficiaries' life expectancy and applicable discount rates based upon federal tables. An adjustment to the liability is recognized in the Statements of Activities for changes in the value.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a 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.

Donated Services: CBMC receives various donated services that range from limited participation of individuals in fundraising and other activities to active participation in program services and administrative functions. Such services are not recorded as support and expenses as recognition criteria have not been met. Significant donated services are reported as support and expenses at their estimated fair value if specific criteria for recognition are met.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C--INVESTMENTS

Investments stated at fair value consist of the following:

	Cost		***Fair Value***	
	December 31, 2003	***June 30, 2003***	***December 31, 2003***	***June 30, 2003***
Mutual funds	$ 108,045	$ 106,910	$ 114,881	$ 112,922

Other investments are stated at cost and consist of insurance annuity contracts with carrying values of $103,223 and $113,307, respectively, as of December 31 and June 30, 2003.

Investment income consists of the following:

	Six-month Period Ended December 31, 2003	***Year Ended June 30, 2003***
Interest and dividend income	$ 6,262	$ 10,471
Net realized and unrealized gains	824	3,122
	$ 7,086	$ 13,593

NOTE D--PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2003	***June 30, 2003***
Leasehold improvements	$ 162,877	$ 162,877
Equipment	497,358	476,018
Equipment under capital lease	-	31,608
Vehicles	76,223	58,335
	736,458	728,838
Less: accumulated depreciation	(478,616)	(465,188)
	$ 257,842	$ 263,650

In December 2001, CBMC entered into a building rehabilitation and use agreement with an organization whereby CBMC paid $120,000 for the rehabilitation and renovation of a portion of a building located in the Chicago area. In return, CBMC was granted certain usage rights, through a lease agreement, of the portion of the renovated building for a fifteen year period. CBMC has recorded its investment in the renovation as a leasehold improvement in the accompanying financial statements and is depreciating this leasehold improvement over the fifteen year agreement period.

NOTE E--ANNUITY OBLIGATIONS

CBMC has established a gift annuity plan whereby donors may contribute assets to CBMC in exchange for the right to receive a fixed dollar annual return during their lifetimes. The difference between the fair value of assets received and the liability for future payments is recognized as income at the date of the gift. Upon the death of the annuitant (or the last joint annuitant), income distributions cease. The annuity payment liability is estimated based on the present value of expected future payments. Adjustments to the annuity obligation due to amortization of the discount and changes in life expectancy are included in the Statement of Activities.

Also included in annuity obligations at December 31 and June 30, 2003 is an amount that represents the present value of payments to be made to the widow of a former president of the organization. Lifetime monthly payments of $1,500 have been discounted using an 8% interest rate.

NOTE F--NET ASSETS

Temporarily restricted net assets are available for donor specified ministry operations and projects.

Permanently restricted net assets consist of donor contributions to a memorial fund established in memory of a former president and staff member. Interest generated from this fund is to be used to support the ongoing ministry activity of evangelism and discipleship and is expended in the year earned. Therefore, such amounts are reported as unrestricted support.

Net assets released from donor restrictions were used for various ministry operations and equipment purchases as specified by the donors.

NOTE G--LEASE COMMITMENTS

CBMC leases certain office space under long-term lease agreements. CBMC also leases automobiles and office equipment under noncancellable operating leases with terms of three to five years.

Minimum lease payments under noncancellable operating leases with remaining terms in excess of one year as of December 31, 2003 are as follows:

	Operating Leases
2004	$ 110,876
2005	76,947
2006	11,360
	$ 199,183

Subsequent to December 31, 2003, CBMC entered into a lease termination agreement related to the office space. Under the terms of the agreement, CBMC will pay a lump sum amount of $60,000 and will be released of the obligation to pay future monthly payments of $6,493 through September 2005 which are included in the minimum lease payments reported above. Additionally, under the terms of a new five year office space lease, beginning in April 2004, CBMC will have noncancellable annual lease payments ranging from $30,000 to $75,000 per year.

NOTE H--RETIREMENT PLAN

CBMC sponsors a 401(k) plan which covers substantially all employees. CBMC matches $.50 for each dollar of an employee contribution up to 3% of the employee's qualifying compensation. In addition, CBMC may contribute a discretionary amount to the plan based on a percentage of employee's compensation. This discretionary contribution was 5% for each of the plan years ended December 31, 2002 and 2001. Retirement plan expense totaled $71,531 and $138,551, respectively, for the six-month period ended December 31, 2003 and the year ended June 30, 2003.