

CBMC, INC.

Audited Financial Statements

Year Ended June 30, 2002

CBMC, INC.

Audited Financial Statements

Year Ended June 30, 2002

Independent Auditor's Report.....	1
-----------------------------------	---

Audited Financial Statements

Statement of Financial Position	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6



Pershing Yoakley
& Associates

A Professional Corporation

Certified Public Accountants and Consultants

One Perkins Place
525 Portland Street
Knoxville, TN 37919

P.O. Box 11746
Knoxville, TN 37939
865-673-0844
Fax 865-673-0173

Edward V. Pershing
Douglas A. Yoakley
Thomas M. Fisher
J. Douglas Arnold
Byron D. Bullock
Martin D. Brown
D. Pace Porter
Denise J. Hall

Jennifer S. Banner
W. Edward Phillips

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CBMC, Inc.:

We have audited the accompanying statement of financial position of CBMC, Inc., as of June 30, 2002, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 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 CBMC, Inc. as of June 30, 2002 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.

Pershing Yoakley & Associates

Knoxville, Tennessee
August 8, 2002

CBMC, INC.

Statement of Financial Position

June 30, 2002

ASSETS

Cash and cash equivalents	\$	911,863
Promises to give		4,200
Receivables, net		11,560
Inventories		86,390
Prepayments		14,352
Investments		249,006
Property held for sale		30,000
Property and equipment, net		349,425
Cash surrender value of life insurance policies		135,066

TOTAL ASSETS \$ 1,791,862

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	36,131
Accrued salaries, benefits, and compensated absences		106,908
Other liabilities		6,900
Annuity obligations		258,792
Capital lease obligation		13,233

TOTAL LIABILITIES 421,964

NET ASSETS

Unrestricted		100,914
Temporarily restricted		1,082,640
Permanently restricted		186,344

TOTAL NET ASSETS 1,369,898

TOTAL LIABILITIES AND NET ASSETS \$ 1,791,862

CBMC, INC.

Statement of Activities

Year Ended June 30, 2002

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
SUPPORT AND REVENUE				
Contributions	\$ 1,083,881	\$ 3,425,739	\$ 12,647	\$ 4,522,267
Sales	239,222	-	-	239,222
Material and event support	256,044	132,883	-	388,927
Investment income	39,924	-	-	39,924
Other revenue	62,292	-	-	62,292
	<u>1,681,363</u>	<u>3,558,622</u>	<u>12,647</u>	<u>5,252,632</u>
Net assets released from restrictions	3,992,426	(3,992,426)	-	-
TOTAL SUPPORT AND REVENUE	<u>5,673,789</u>	<u>(433,804)</u>	<u>12,647</u>	<u>5,252,632</u>
EXPENSES AND LOSSES				
Program services				
Field Ministry	2,960,979	-	-	2,960,979
International Ministry	71,095	-	-	71,095
Forums	335,064	-	-	335,064
Ministry tools	275,266	-	-	275,266
Leadership development and training	629,621	-	-	629,621
Conference events	461,144	-	-	461,144
TOTAL PROGRAM SERVICES	<u>4,733,169</u>	<u>-</u>	<u>-</u>	<u>4,733,169</u>
Supporting services				
General and administrative	237,473	-	-	237,473
Cost of generating support	294,494	-	-	294,494
TOTAL SUPPORTING SERVICES	<u>531,967</u>	<u>-</u>	<u>-</u>	<u>531,967</u>
TOTAL EXPENSES	<u>5,265,136</u>	<u>-</u>	<u>-</u>	<u>5,265,136</u>
Loss on disposal of property and equipment	14,740	-	-	14,740
Loss on property held for sale	46,000	-	-	46,000
Change in value of annuity obligations	15,121	-	-	15,121
TOTAL EXPENSES AND LOSSES	<u>5,340,997</u>	<u>-</u>	<u>-</u>	<u>5,340,997</u>
CHANGE IN NET ASSETS	<u>332,792</u>	<u>(433,804)</u>	<u>12,647</u>	<u>(88,365)</u>
NET ASSETS, beginning of year	(231,878)	1,516,444	173,697	1,458,263
NET ASSETS, end of year	<u>\$ 100,914</u>	<u>\$ 1,082,640</u>	<u>\$ 186,344</u>	<u>\$ 1,369,898</u>

CBMC, INC.

Statement of Functional Expenses

Year Ended June 30, 2002

	Program Services				Supporting Services		Total		
	Field Ministry	International Ministry	Forums	Ministry Tools	Leadership Development and Training	Conference Events		General and Administrative	Cost of Generating Support
Salaries	\$ 1,719,795	\$ 35,311	\$ 177,361	\$ 78,866	\$ 157,528	\$ 72,521	\$ 68,053	\$ 133,363	\$ 2,442,798
Payroll taxes	132,707	2,831	14,611	6,612	11,875	5,927	5,550	10,696	190,807
Other benefits	292,766	7,254	32,459	19,272	33,002	14,968	14,009	30,412	444,141
Total salaries and benefits	2,145,268	45,395	224,431	104,749	202,404	93,416	87,612	174,470	3,077,746
Automobile	134,112	223	3,761	985	6,817	1,622	507	599	148,625
Travel	54,258	1,398	7,626	2,156	123,726	109,607	2,180	5,091	306,041
Meals	53,125	217	2,587	746	97,917	95,110	515	634	250,851
Meetings	111,776	3,194	6,524	2,898	55,021	30,137	4,271	2,605	216,427
Rent	100,434	0	11,372	12,592	4,401	4,232	50,082	4,172	187,284
Telephone	69,604	4,463	8,326	4,121	8,625	7,147	7,207	5,630	115,124
Supplies	23,714	519	4,434	1,350	2,146	1,845	1,254	1,451	36,714
Materials	67,706	137	2,166	59,992	13,590	6,628	591	2,365	153,175
Printing	21,012	865	31,500	1,301	3,629	3,406	1,685	12,469	75,867
Equipment	35,355	1,644	2,638	15,949	21,535	24,216	20,011	10,029	131,377
Data processing	8,563	(966)	1,267	10,140	5,752	7,347	5,000	3,293	40,397
Professional fees	28,915	4,245	15,058	16,203	33,880	27,112	16,974	36,121	178,507
Postage	30,328	1,867	2,802	19,858	3,000	2,634	2,715	9,201	72,405
Insurance	3,341	1,176	1,939	20	107	819	1,291	941	9,634
Depreciation	28,614	3,577	3,577	17,884	21,460	21,460	25,037	21,460	143,069
Interest	3,774	1,887	1,510	755	1,510	1,887	2,265	1,540	15,128
Other	41,079	1,251	3,546	3,569	24,100	22,519	8,277	2,424	106,765
	\$2,960,979	\$ 71,095	\$ 335,064	\$ 275,266	\$ 629,621	\$ 461,144	\$ 237,473	\$ 294,494	\$ 5,265,136

See notes to financial statements.

CBMC, INC.

Statement of Cash Flows

Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (88,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	143,069
Loss on disposal of equipment	14,740
Loss on property held for resale	46,000
Change in cash surrender value of life insurance policies	(8,164)
Change in value of annuity obligations	25,121
Proceeds from permanently restricted contributions	(12,647)
Net change in:	
Promises to give	88,800
Receivables, net	7,129
Inventories	14,920
Prepayments	190,472
Accounts payable and accrued expenses	(90,465)
Accrued salaries, benefits, and compensated absences	46,042
Deferred revenue	(199,353)
Other liabilities	(114,856)
Total Adjustments	<u>150,808</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,443

CASH FLOWS FROM INVESTING ACTIVITIES:

Net investment transactions	(6,672)
Purchase of property and equipment	(184,795)
NET CASH USED IN INVESTING ACTIVITIES	<u>(191,467)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease obligation	(10,367)
Proceeds from contributions permanently restricted	12,647
Payments to annuitants	(30,528)
NET CASH USED IN FINANCING ACTIVITIES	<u>(28,248)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS (157,272)

CASH AND CASH EQUIVALENTS, beginning of year 1,069,135

CASH AND CASH EQUIVALENTS, end of year \$ 911,863

CBMC, INC.

Notes to Financial Statements

Year Ended June 30, 2002

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 and formed to assist and participate in the formation of local Christian Business Men's Committees. 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 Statement of Activities.

CBMC, INC.

Notes to Financial Statements - Continued

Year Ended June 30, 2002

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 2002, 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 Statement 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 increase 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 Statement 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 that 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.

CBMC, INC.

Notes to Financial Statements - Continued

Year Ended June 30, 2002

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 Statement 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 at June 30, 2002:

	<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation</i>
Mutual funds	\$ 104,852	\$ 107,741	\$ 2,889

Other investments are stated at cost and consist of insurance annuity contracts with carrying values of \$141,265 as of June 30, 2002.

Investment income consists of the following:

Interest and dividend income	\$ 38,047
Net realized gains (losses) and changes in net unrealized gains	(1,877)
	<u>\$ 39,924</u>

CBMC, INC.

Notes to Financial Statements - Continued

Year Ended June 30, 2002

NOTE D--PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2002 consists of the following:

Leasehold improvements	\$	160,877
Equipment		494,659
Equipment under capital lease		31,608
Vehicles		67,135
		<hr/>
		754,279
Less: Accumulated depreciation and amortization		(404,854)
	\$	<hr/>
		349,425

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 June 30, 2002 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.

CBMC, INC.

Notes to Financial Statements - Continued

Year Ended June 30, 2002

NOTE F--NET ASSETS - Continued

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 noncancelable operating leases with terms of three to five years.

CBMC leases certain data processing equipment under a capital lease arrangement dated September 7, 2000. The lease is payable in 36 monthly installments of \$995.

Minimum lease payments under this capital lease and noncancelable operating leases with remaining terms in excess of one year as of June 30, 2002, are as follows:

	<i>Operating Leases</i>	<i>Capital Lease</i>
2003	\$ 115,644	\$ 11,940
2004	109,126	1,990
2005	90,591	-
2006	25,972	-
	<u>\$ 315,361</u>	<u>13,930</u>
Amounts representing interest at 8.31%		(697)
Present value of net minimum lease payments		<u>\$ 13,233</u>

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 the plan year ended December 31, 2001. Retirement plan expense totaled \$153,852 for the year ended June 30, 2002.