

CBMC, INC.

Audited Financial Statements

Years Ended June 30, 2003 and 2002



CBMC, INC.

Audited Financial Statements

Years Ended June 30, 2003

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

Audited Financial Statements

Statements of Financial Position.....	2
Statement of Activities – Year Ended June 30, 2003	3
Statement of Activities – Year Ended June 30, 2002	4
Statement of Functional Expenses – Year Ended June 30, 2003	5
Statement of Functional Expenses – Year Ended June 30, 2002.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	9



Pershing Yoakley & Associates

CERTIFIED PUBLIC ACCOUNTANTS

One Perkins Place, 525 Portland Street
Knoxville, TN 37919

(p) (865) 673-0844 (f) (865) 673-0173
(w) www.pyapc.com

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 June 30, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years 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 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 June 30, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pershing Yoakley & Associates

Knoxville, Tennessee
August 26, 2003

CBMC, INC.

Statements of Financial Position

	<i>June 30,</i>	
	<i>2003</i>	<i>2002</i>
ASSETS		
Cash and cash equivalents	\$ 1,112,202	\$ 911,863
Promises to give	14,645	4,200
Receivables, net	10,688	11,560
Inventories	79,459	86,390
Prepayments	20,051	14,352
Investments	226,229	249,006
Property held for sale	30,000	30,000
Property and equipment, net	263,650	349,425
Cash surrender value of life insurance policies	143,240	135,066
TOTAL ASSETS	<u>\$ 1,900,164</u>	<u>\$ 1,791,862</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	37,203	36,131
Accrued salaries, benefits, and compensated absences	98,155	106,908
Other liabilities	8,891	6,900
Annuity obligations	228,704	258,792
Capital lease	1,970	13,233
TOTAL LIABILITIES	<u>374,923</u>	<u>421,964</u>
NET ASSETS		
Unrestricted	315,547	100,914
Temporarily restricted	1,085,037	1,144,452
Permanently restricted	124,657	124,532
TOTAL NET ASSETS	<u>1,525,241</u>	<u>1,369,898</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,900,164</u>	<u>\$ 1,791,862</u>

See notes to financial statements.

CBMC, INC.

Statement of Activities

Year Ended June 30, 2003

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
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	64,658	-	-	64,658
	<u>1,390,847</u>	<u>3,864,243</u>	<u>125</u>	<u>5,255,215</u>
Net assets released from restrictions	3,923,658	(3,923,658)	-	-
TOTAL SUPPORT AND REVENUE	<u>5,314,505</u>	<u>(59,415)</u>	<u>125</u>	<u>5,255,215</u>
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	<u>4,577,700</u>	<u>-</u>	<u>-</u>	<u>4,577,701</u>
Supporting services				
General and administrative	263,578	-	-	263,578
Cost of generating support	271,334	-	-	271,334
TOTAL SUPPORTING SERVICES	<u>534,912</u>	<u>-</u>	<u>-</u>	<u>534,912</u>
TOTAL EXPENSES	<u>5,112,612</u>	<u>-</u>	<u>-</u>	<u>5,112,612</u>
(Gain) loss on disposal of property and equipment	(12,846)	-	-	(12,846)
Change in value of annuity obligations	105	-	-	105
TOTAL EXPENSES AND LOSSES	<u>5,099,871</u>	<u>-</u>	<u>-</u>	<u>5,099,871</u>
CHANGE IN NET ASSETS	<u>214,633</u>	<u>(59,415)</u>	<u>125</u>	<u>155,343</u>
NET ASSETS, beginning of year	<u>100,914</u>	<u>1,144,452</u>	<u>124,532</u>	<u>1,369,898</u>
NET ASSETS, end of year	<u>\$ 315,547</u>	<u>\$ 1,085,037</u>	<u>\$ 124,657</u>	<u>\$ 1,525,241</u>

See notes to financial statements.

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
	1,681,363	3,558,622	12,647	5,252,632
Net assets released from restrictions	3,992,426	(3,992,426)	-	-
TOTAL SUPPORT AND REVENUE	5,673,789	(433,804)	12,647	5,252,632
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	4,733,169	-	-	4,733,169
Supporting services				
General and administrative	237,473	-	-	237,473
Cost of generating support	294,494	-	-	294,494
TOTAL SUPPORTING SERVICES	531,967	-	-	531,967
TOTAL EXPENSES	5,265,136	-	-	5,265,136
(Gain) 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	5,340,997	-	-	5,340,997
CHANGE IN NET ASSETS	332,792	(433,804)	12,647	(88,365)
NET ASSETS, beginning of year	(231,878)	1,578,256	111,885	1,458,263
NET ASSETS, end of year	\$ 100,914	\$ 1,144,452	\$ 124,532	\$ 1,369,898

See notes to financial statements.

CBMC, INC.

Statement of Functional Expenses

Year Ended June 30, 2003

Field	Program Services				Supporting Activities		Total		
	Staff	International	Forums	Ministry Tools	Leadership Training	Conference Events		General and Administrative	Fund Raising
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.

Statement of Functional Expenses

Year Ended June 30, 2002

Field	Program Services				Supporting Activities		Total		
	Staff	International	Forums	Ministry Tools	Leadership Training	Conference Events		General and Administrative	Fund Raising
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	6,611	11,874	5,927	5,550	10,696	190,807
Other benefits	292,766	7,253	32,459	19,272	33,002	14,968	14,009	30,411	444,140
Total salaries and benefits	2,145,268	45,395	224,431	104,749	202,404	93,416	87,612	174,470	3,077,745
Auto	134,112	223	3,761	985	6,817	1,622	507	599	148,626
Travel	54,258	1,398	7,626	2,156	123,726	109,607	2,180	5,091	306,042
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	216,426
Rent	100,434	-	11,372	12,592	4,401	4,232	50,082	4,172	187,285
Telephone	69,604	4,463	8,326	4,121	8,625	7,147	7,207	5,630	115,123
Supplies	23,714	519	4,434	1,350	2,146	1,845	1,254	1,451	36,713
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	40,396
Professional fees	28,915	4,245	15,058	16,203	33,880	27,112	16,974	36,121	178,508
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	41,080	1,254	3,546	3,567	24,101	22,519	8,276	2,423	106,766
	\$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.

	<i>Year Ended June 30,</i>	
	<i>2003</i>	<i>2002</i>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on captial lease obligations	(11,263)	(10,367)
Proceeds from permanently restricted contributions	125	12,647
Payments to annuitants	(30,193)	(30,528)
NET CASH USED IN FINANCING ACTIVITIES	(41,331)	(28,248)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	200,341	(157,272)
CASH AND CASH EQUIVALENTS, beginning of year	911,863	1,069,135
CASH AND CASH EQUIVALENTS, end of year	\$ 1,112,204	\$ 911,863

NON-CASH TRANSACTION:

Payments to annuitants totaling \$30,000 and \$10,000 were paid directly from annuity investments during 2003 and 2002, respectively.

CBMC, INC.

Notes to Financial Statements

Years Ended June 30, 2003

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.

CBMC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2003

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 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 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 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 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

Years Ended June 30, 2003

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.

Reclassifications: Certain 2002 amounts have been reclassified to conform with the 2003 presentation. Such reclassifications include \$61,612 of previously reported permanently restricted net assets which were reclassified to temporarily restricted net assets as of July 1, 2001 based on management's confirmation of donor's intent.

NOTE C--INVESTMENTS

Investments stated at fair value consist of the following at June 30:

	<i>Cost</i>		<i>Fair Value</i>		<i>Unrealized Appreciation</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Mutual	\$ 106,910	\$ 104,852	\$ 112,922	\$ 107,741	\$ 6,012	\$ 2,889

Other investments are stated at cost and consist of insurance annuity contracts with carrying values of \$113,307 and \$141,265, respectively, as of June 30, 2003 and 2002.

Investment income consists of the following:

	<i>2003</i>	<i>2002</i>
Interest and dividend income	\$ 16,715	\$ 38,047
Net realized and unrealized gains(losses)	3,122	(1,877)
	<u>\$ 13,593</u>	<u>\$ 39,924</u>

CBMC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2003

NOTE D--PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2003</u>	<u>2002</u>
Leasehold improvements	\$ 162,877	\$ 160,877
Equipment	476,018	494,659
Equipment under capital lease	31,608	31,608
Vehicles	58,335	67,135
	<u>728,838</u>	<u>754,279</u>
Less: accumulated depreciation	(465,188)	(404,854)
	<u>\$ 263,650</u>	<u>\$ 349,425</u>

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, 2003 and 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.

CBMC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2003

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 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, 2003 are as follows:

	<i>Operating Leases</i>	<i>Capital Leases</i>
2004	\$ 109,126	\$ 1,990
2005	90,591	-
2006	25,972	-
	<u>\$ 225,689</u>	1,990
Amounts representing interest		(20)
Present value of net minimum lease payments		<u>\$ 1,970</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

CBMC, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2003

NOTE H--RETIREMENT PLAN - Continued

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 \$138,551 and \$153,852, respectively, for 2003 and 2002.