

**CBMC, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015



**CERTIFIED PUBLIC ACCOUNTANTS**

# CBMC, INC.

## INDEX TO REPORT

DECEMBER 31, 2016 AND 2015

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	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4-5
STATEMENTS OF FUNCTIONAL EXPENSES	6-7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-16



CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA | MEMPHIS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CBMC, Inc.  
Chattanooga, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of CBMC, Inc. (a nonprofit organization) as of December 31, 2016 and 2015, and related statements of activities, functional expenses, and cash flows for the years 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.

### ***Auditor's 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 of 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.

***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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Chattanooga, Tennessee  
September 20, 2017

*Henderson Hutcherson*

# CBMC, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

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	<b>ASSETS</b>	
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 1,829,163	\$ 1,970,057
Accounts receivable, net	158,546	143,625
Inventories	124,803	143,972
Prepayments	16,723	23,799
Investments	2,984,849	2,690,132
Property held for sale	5,000	5,000
Property and equipment, net	63,999	35,851
Intangible assets, net of amortization	-	7,464
Cash surrender value of life insurance policies	<u>106,743</u>	<u>101,643</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,289,826</u></b>	<b><u>\$ 5,121,543</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 66,235	\$ 75,781
Accrued salaries, benefits, and compensated absences	332,141	226,559
Annuity obligations	<u>3,649</u>	<u>4,354</u>
Total liabilities	<u>402,025</u>	<u>306,694</u>
<b>NET ASSETS</b>		
Unrestricted	1,546,575	1,521,552
Temporarily restricted	<u>3,341,226</u>	<u>3,293,297</u>
Total net assets	<u>4,887,801</u>	<u>4,814,849</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,289,826</u></b>	<b><u>\$ 5,121,543</u></b>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,527,786	\$ 4,708,730	\$ -	\$ 7,236,516
Support service fee	462,389	-	-	462,389
Sales	83,314	-	-	83,314
Material and event support	11,250	-	-	11,250
Interest and dividend income	68,273	-	-	68,273
Net realized and unrealized gain	15,136	-	-	15,136
Other revenues	63,890	1,086,631	-	1,150,521
Net assets released from restriction	<u>5,747,432</u>	<u>(5,747,432)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,979,470</u>	<u>47,929</u>	<u>-</u>	<u>9,027,399</u>
<b>EXPENSES AND LOSSES</b>				
Program services				
Field ministry	5,055,880	-	-	5,055,880
Leadership institute and forums	866,756	-	-	866,756
Ministry tools	305,669	-	-	305,669
Leadership development and training	266,754	-	-	266,754
Outreach and conference events	<u>356,426</u>	<u>-</u>	<u>-</u>	<u>356,426</u>
Total program expenses	<u>6,851,485</u>	<u>-</u>	<u>-</u>	<u>6,851,485</u>
Supporting services				
General and administrative	1,178,892	-	-	1,178,892
Fund raising	<u>924,070</u>	<u>-</u>	<u>-</u>	<u>924,070</u>
Total supporting services	<u>2,102,962</u>	<u>-</u>	<u>-</u>	<u>2,102,962</u>
Total expenses and losses	<u>8,954,447</u>	<u>-</u>	<u>-</u>	<u>8,954,447</u>
<b>CHANGE IN NET ASSETS</b>	25,023	47,929	-	72,952
Net assets - beginning of year	<u>1,521,552</u>	<u>3,293,297</u>	<u>-</u>	<u>4,814,849</u>
Net assets - end of year	<u>\$ 1,546,575</u>	<u>\$ 3,341,226</u>	<u>\$ -</u>	<u>\$ 4,887,801</u>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,344,864	\$ 4,467,654	\$ -	\$ 6,812,518
Support service fee	447,370	-	-	447,370
Sales	89,375	-	-	89,375
Material and event support	12,750	-	-	12,750
Interest and dividend income	32,499	-	-	32,499
Net realized and unrealized loss	(79,567)	-	-	(79,567)
Other revenues	286,778	635,442	-	922,220
Net assets released from restriction	<u>5,757,158</u>	<u>(5,757,158)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,891,227</u>	<u>(654,062)</u>	<u>-</u>	<u>8,237,165</u>
<b>EXPENSES AND LOSSES</b>				
Program services				
Field ministry	4,884,314	-	-	4,884,314
Leadership institute and forums	835,191	-	-	835,191
Ministry tools	309,802	-	-	309,802
Leadership development and training	258,815	-	-	258,815
Outreach and conference events	<u>359,476</u>	<u>-</u>	<u>-</u>	<u>359,476</u>
Total program expenses	<u>6,647,598</u>	<u>-</u>	<u>-</u>	<u>6,647,598</u>
Supporting services				
General and administrative	1,172,716	-	-	1,172,716
Fund raising	<u>900,148</u>	<u>-</u>	<u>-</u>	<u>900,148</u>
Total supporting services	<u>2,072,864</u>	<u>-</u>	<u>-</u>	<u>2,072,864</u>
Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>-</u>	<u>705</u>
Total expenses and losses	<u>8,721,167</u>	<u>-</u>	<u>-</u>	<u>8,721,167</u>
<b>CHANGE IN NET ASSETS</b>	170,060	(654,062)	-	(484,002)
Net assets - beginning of year	<u>1,351,492</u>	<u>3,947,359</u>	<u>-</u>	<u>5,298,851</u>
Net assets - end of year	<u>\$ 1,521,552</u>	<u>\$ 3,293,297</u>	<u>\$ -</u>	<u>\$ 4,814,849</u>

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

# CBMC, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services		
	Field Ministry	Leadership Institute and Forums	Ministry Tools	Leadership and Development Training	Outreach and Conference Events	General and Administrative	Fund Raising	Total
Salaries	\$ 2,824,943	\$ 479,761	\$ 123,154	\$ 114,737	\$ 127,693	\$ 410,561	\$ 181,662	\$ 4,262,511
Payroll taxes	211,992	35,630	8,883	8,160	9,070	29,241	12,858	315,834
Other benefits	434,278	72,630	39,145	22,479	25,956	99,082	35,499	729,069
Total salaries and benefits	3,471,213	588,021	171,182	145,376	162,719	538,884	230,019	5,307,414
Automobile	204,620	15,328	2,024	2,955	3,029	8,051	12,800	248,807
Travel	176,152	8,564	7,335	14,565	14,337	36,077	60,637	317,667
Meals	299,126	22,413	5,106	8,022	8,072	18,503	37,188	398,430
Meetings	269,437	17,648	1,512	7,653	36,646	11,349	103,152	447,397
Rent and utilities	84,554	11,192	7,322	7,322	14,644	80,542	14,645	220,221
Telephone	85,332	14,729	2,788	4,155	4,985	16,980	5,787	134,756
Supplies	14,902	1,493	1,022	485	612	2,170	1,295	21,979
Materials	50,167	11,012	24,201	2,866	3,013	2,374	8,314	101,947
Support service fee	46,238	23,119	23,119	23,119	46,238	254,312	46,240	462,385
Printing	18,055	2,649	1,759	2,040	4,214	16,490	105,522	150,729
Equipment	42,911	23,311	4,973	7,858	8,829	25,799	15,816	129,497
Data processing	3,945	4,293	724	1,447	1,447	3,522	5,229	20,607
Professional fees	90,908	79,243	12,437	13,839	15,725	48,718	191,052	451,922
Postage	24,213	1,287	20,409	1,078	1,748	7,521	28,713	84,969
Insurance	6,820	709	477	477	851	4,186	816	14,336
Depreciation and amortization	2,893	1,446	1,446	1,446	2,893	15,909	2,894	28,927
Bad debt	-	-	-	-	-	4,949	-	4,949
Other	164,394	40,299	17,833	22,051	26,424	82,556	53,951	407,508
Total functional expenses	\$ 5,055,880	\$ 866,756	\$ 305,669	\$ 266,754	\$ 356,426	\$ 1,178,892	\$ 924,070	\$ 8,954,447

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



# CBMC, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services		
	Field Ministry	Leadership Institute and Forums	Ministry Tools	Leadership and Development Training	Outreach and Conference Events	General and Administrative	Fund Raising	Total
Salaries	\$2,626,743	\$446,101	\$114,513	\$106,687	\$118,734	\$381,756	\$168,916	\$3,963,450
Payroll taxes	201,528	33,872	8,445	7,757	8,622	27,797	12,224	300,245
Other benefits	551,957	92,310	49,752	28,571	32,989	125,931	45,120	926,630
Total salaries and benefits	<u>3,380,228</u>	<u>572,283</u>	<u>172,710</u>	<u>143,015</u>	<u>160,345</u>	<u>535,484</u>	<u>226,260</u>	<u>5,190,325</u>
Automobile	212,192	15,895	2,099	3,064	3,141	8,349	13,274	258,014
Travel	127,901	6,218	5,326	10,576	10,410	26,195	44,026	230,652
Meals	170,652	12,787	2,913	4,576	4,605	10,556	21,216	227,305
Meetings	350,787	22,977	1,969	9,964	47,710	14,775	134,295	582,477
Rent and utilities	87,970	11,644	7,618	7,618	15,236	83,797	15,236	229,119
Telephone	86,417	14,916	2,824	4,207	5,049	17,196	5,860	136,469
Supplies	16,411	1,644	1,125	534	674	2,390	1,426	24,204
Materials	66,281	14,550	31,974	3,786	3,981	3,137	10,985	134,694
Support service fee	44,742	22,371	22,371	22,371	44,742	246,082	44,741	447,420
Printing	17,749	2,604	1,729	2,005	4,142	16,211	103,735	148,175
Equipment	24,751	13,446	2,869	4,533	5,092	14,881	9,122	74,694
Data processing	3,862	4,203	709	1,416	1,416	3,449	5,120	20,175
Professional fees	82,441	71,863	11,279	12,550	14,261	44,181	173,256	409,831
Postage	22,504	1,196	18,969	1,002	1,624	6,990	26,688	78,973
Insurance	14,160	1,471	989	989	1,767	8,691	1,697	29,764
Depreciation and amortization	8,472	4,236	4,236	4,236	8,472	46,591	8,471	84,714
Other	166,794	40,887	18,093	22,373	26,809	83,761	54,740	413,457
Total functional expenses	<u>\$4,884,314</u>	<u>\$835,191</u>	<u>\$309,802</u>	<u>\$258,815</u>	<u>\$359,476</u>	<u>\$1,172,716</u>	<u>\$900,148</u>	<u>\$8,720,462</u>

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

# CBMC, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 72,952	\$ (484,002)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	28,927	84,714
Investment (gain) loss	(15,136)	79,567
Change in assets and liabilities:		
Accounts receivable, net	(14,921)	(117,469)
Inventories	19,169	(25,247)
Prepayments	7,076	(9,286)
Accounts payable and accrued expenses	(9,546)	(10,991)
Accrued salaries, benefits, and compensated absences	<u>105,582</u>	<u>27,700</u>
Net cash from operating activities	<u>194,103</u>	<u>(455,014)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested investment earnings	(68,273)	(32,499)
Purchases of investments	(211,308)	-
Change in cash surrender value of life insurance policies	(5,100)	(1,622)
Purchases of property and equipment	<u>(49,611)</u>	<u>(17,426)</u>
Net cash from investing activities	<u>(334,292)</u>	<u>(51,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Changes and payments to annuitants	<u>(705)</u>	<u>(705)</u>
Net cash from financing activities	<u>(705)</u>	<u>(705)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(140,894)	(507,266)
Cash and cash equivalents - beginning of year	<u>1,970,057</u>	<u>2,477,323</u>
Cash and cash equivalents - end of year	<u>\$ 1,829,163</u>	<u>\$ 1,970,057</u>

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 1 – NATURE OF OPERATIONS

CBMC, Inc. (“CBMC”) is a nonprofit 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 teams that conduct meetings and are active in their communities independent of this organization. The financial statements of the local teams 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 2 – SIGNIFICANT ACCOUNTING POLICIES

#### **Method of Accounting**

The financial statements of CBMC have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

#### **Financial Statement Presentation**

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958. Under this Topic, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CBMC or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If net assets were released from restrictions by incurring expenses satisfying the purpose of the grant or contribution within the same reporting period, those net assets have been classified as unrestricted.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by CBMC. Generally, the donors of these assets permit CBMC to use all or part of the income earned on any related investments for general or specific purposes.

#### **Cash and Cash Equivalents**

CBMC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and money market accounts held in investment accounts are not considered cash equivalents by CBMC, as they are being held for the purpose of purchasing additional investments.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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 certificates of deposit with original maturities of greater than three months, and are stated at cost, which approximates fair value. 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.

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.

#### **Property and Equipment**

Expenditures for property and equipment in excess of \$2,500 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	3-10 years
Vehicles	3-5 years

#### **Annuity Obligations**

The liability for annuities is estimated based on the present value of expected future payments considering the beneficiaries' life expectancies 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.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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 Statement of Activities as net assets released from restrictions.

#### **Merchandise Sales**

CBMC engages in the selling of publications to customers as an additional way to raise revenue throughout the year. Revenue on the sale of these publications are recorded when the requirements of a sale have taken place, and are recorded on the accrual basis congruent with generally accepted accounting principles.

#### **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.

#### **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.

#### **Presentation of Sales Tax**

The State of Tennessee and counties within the State impose a sales tax on all of CBMC's sales to non-exempt customers. CBMC collects that sales tax from customers and remits the entire amount to the State. CBMC's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Uncertain Tax Positions

CBMC, Inc. follows the guidance of FASB ASC 740, *Income Taxes*. CBMC has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. CBMC's evaluation was performed for tax years ended December 31, 2013 through December 31, 2016, the years that remain subject to examination by major tax jurisdictions as of December 31, 2016.

#### Compensated Absences

CBMC accrues for vacation leave (personal time off) based upon the following schedule for salaried employees:

<u>Years of Service</u>	<u>Total Days</u>
1 - 5 years	17 Days
5 - 10 years	22 Days
10+ years	27 Days

Employees are eligible for one week of vacation time after three months of their start date. Personal time off is given in a "lump-sum" on January 1st of each year and can be used as either sick leave or vacation leave.

Non-salaried employees are eligible to accrue vacation time. The base rate of the vacation time is 6.75 hours per month for 37.50 hours per week of work. Permanent part-time employees accrue vacation time based on the percentage of hours of a full-time work week.

#### Intangible Assets

CBMC owned intangible rights to a book entitled *Monday Morning Atheist*. The rights were acquired in 2012 for \$150,000 and were amortized over 3 years. These rights were fully amortized in 2015.

CBMC also owns intangible rights to property at Cedar Lake. See Note 10 - Property Rights for breakdown of the intangible asset.

### NOTE 3 – INVESTMENTS

CBMC follows FASB ASC Topic 820, which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. FASB ASC 820 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### NOTE 3 – INVESTMENTS (Continued)

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of December 31. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of December 31. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities that have little to no pricing observability as of December 31. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by CBMC. CBMC considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to CBMC’s perceived risk of that instrument.

A summary of the inputs used to value CBMC’s investments at December 31, 2016 and 2015, is as follows:

	<b>Fair Value Measurements at Reporting Date Using</b>
	<b>(Level 1)</b>
<b>December 31, 2016</b>	
Cash	\$ 215,543
Money market funds	1,194,177
Equity investments	1,934
Fixed income	1,398,622
Other assets	84,465
Insurance annuity contracts	90,108
	<u>\$ 2,984,849</u>

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### NOTE 3 – INVESTMENTS (Continued)

December 31, 2015	Fair Value Measurements at Reporting Date Using	
	(Level 1)	
Money market funds	\$	995,541
Equity investments		17,206
Fixed income		1,028,787
Other assets		559,823
Insurance annuity contracts		88,775
	\$	<u>2,690,132</u>

Investment income consists of the following:

	2016	2015
Interest and dividend income	\$ 68,273	\$ 32,499
Net realized and unrealized loss	15,136	(79,567)
	<u>\$ 83,409</u>	<u>\$ (47,068)</u>

### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Furniture, fixtures, and equipment	\$ 922,492	\$ 872,880
Vehicles	125,300	125,300
Total property and equipment	1,047,792	998,180
Less accumulated depreciation	(983,793)	(962,329)
	<u>\$ 63,999</u>	<u>\$ 35,851</u>

Depreciation expense was \$21,463 and \$30,739 for the years ended December 31, 2016 and 2015, respectively.

### NOTE 5 – 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 Statements of Activities.



# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 6 – NET ASSETS

Temporarily restricted net assets are available for donor specified ministry operations and projects. Net assets released from donor restrictions during the years ended December 31, 2016 and 2015, were used for various ministry operations and equipment purchases as specified by the donors.

### NOTE 7 – RETIREMENT PLAN

CBMC sponsors a 401(k) plan which covers substantially all employees. CBMC matches \$0.50 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. Retirement plan expense totaled \$257,887 and \$249,128 for the years ended December 31, 2016 and 2015, respectively.

### NOTE 8 – LEASE COMMITMENTS

CBMC leases office space under a one year lease agreement. From October 1, 2015 through September 30, 2016, the base amount for year one is \$8,753 per month. Commencing October 1, 2016 through September 30, 2017, the base amount for year two will be \$9,023 per month. On October 1, 2017 through September 30, 2018, the base amount for year two will be \$9,293 per month.

CBMC also leases various office equipment under noncancelable operating leases. Monthly payments range from \$513 to \$1,233.

Minimum lease payments under noncancelable operating leases as of December 31, 2016, are as follows:

<b>Year Ending</b>	<b>Amount</b>
2017	\$ 126,448
2018	98,430
2019	14,797
2020	11,718
2021	8,638
Thereafter	<u>3,599</u>
	<u>\$ 263,630</u>

Total rent expense was \$195,347 and \$205,773 for the years ended December 31, 2016 and 2015, respectively.

### NOTE 9 – RELATED PARTY TRANSACTIONS

At certain times, CBMC may provide various administrative services for CBMC International. There were no administrative fees for these services for the year ended December 31, 2016 or 2015.

During the years ended December 31, 2016 and 2015, CBMC received unrestricted contributions totaling approximately \$123,152 and \$110,121, respectively, from members of the Board of Directors or members of management of CBMC.

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### NOTE 10 – PROPERTY RIGHTS

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 a portion of the renovated building for a fifteen year period. CBMC has recorded its investment in the renovation as an intangible asset in the accompanying financial statements, and is amortizing the asset over the fifteen year agreement period. The balance of the intangible asset was fully amortized during 2016.

### NOTE 11 – CONCENTRATIONS

CBMC maintains cash balances at various financial institutions, whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. CBMC's balance on deposit at the banks may exceed \$250,000 from time to time throughout the year. CBMC does not believe they are exposed to undue risk on cash balances.

### NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year, CBMC determined that certain pledge receivables should have been accrued and included in revenue as of December 31, 2015. This resulted in income being understated by \$137,477 as of December 31, 2015. As a result, the related receivables have been added to their accounting records and a prior period adjustment of \$137,477 has been made as follows:

	As Original Reported	Change	Restated
Revenue	\$ 6,675,041	\$ 137,477	\$ 6,812,518
Accounts receivable, net	\$ 6,148	\$ 137,477	\$ 143,625
Total assets	\$ 4,984,066	\$ 137,477	\$ 5,121,543
Net change in temporarily restricted net assets	\$ (791,539)	\$ 137,477	\$ (654,062)

### NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the date of the statements of financial position 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.