

CBMC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



CERTIFIED PUBLIC ACCOUNTANTS

CBMC, INC.

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DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of CBMC, Inc. which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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
May 10, 2021

Henderson Hutcherson

CBMC, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	ASSETS	
	2020	2019
Cash and cash equivalents	\$ 1,728,909	\$ 1,496,498
Promises to give, net	791,423	190,668
Accounts receivable, net	22,531	17,509
Inventories	13,907	18,726
Prepayments	26,865	28,808
Investments	5,295,716	4,481,790
Property held for sale	5,000	5,000
Property and equipment, net	109,454	101,550
Cash surrender value of life insurance policies	<u>27,756</u>	<u>106,367</u>
TOTAL ASSETS	<u>\$ 8,021,561</u>	<u>\$ 6,446,916</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,789	\$ 89,163
Accrued salaries, benefits, and compensated absences	383,879	344,383
Annuity obligations	<u>3,649</u>	<u>3,649</u>
Total liabilities	<u>404,317</u>	<u>437,195</u>
NET ASSETS		
Without donor restrictions	2,720,465	1,941,181
With donor restrictions	<u>4,896,779</u>	<u>4,068,540</u>
Total net assets	<u>7,617,244</u>	<u>6,009,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,021,561</u>	<u>\$ 6,446,916</u>

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

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 2,555,613	\$ 5,552,386	\$ 8,107,999
Support service fee	599,796	-	599,796
Sales	11,464	-	11,464
Material and event support	7,650	-	7,650
Interest and dividend income	133,155	-	133,155
Net realized and unrealized gains	131,755	-	131,755
Membership fees	-	751,759	751,759
Governmental grants	1,010,496	-	1,010,496
Other revenues	80,033	16,396	96,429
Net assets released from restriction	<u>5,492,302</u>	<u>(5,492,302)</u>	<u>-</u>
Total support and revenue	<u>10,022,264</u>	<u>828,239</u>	<u>10,850,503</u>
EXPENSES			
Functional expenses			
Program services	6,732,314	-	6,732,314
General and administrative	1,897,385	-	1,897,385
Fundraising	<u>612,576</u>	<u>-</u>	<u>612,576</u>
Total functional expenses	<u>9,242,275</u>	<u>-</u>	<u>9,242,275</u>
Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
Total expenses	<u>9,242,980</u>	<u>-</u>	<u>9,242,980</u>
CHANGE IN NET ASSETS	779,284	828,239	1,607,523
Net assets – beginning of year	<u>1,941,181</u>	<u>4,068,540</u>	<u>6,009,721</u>
Net assets – end of year	<u>\$ 2,720,465</u>	<u>\$ 4,896,779</u>	<u>\$ 7,617,244</u>

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

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,691,046	\$ 6,428,392	\$ 9,119,438
Support service fee	620,954	-	620,954
Sales	43,892	-	43,892
Material and event support	8,850	-	8,850
Interest and dividend income	118,386	-	118,386
Net realized and unrealized loss	325,651	-	325,651
Membership fees	-	688,570	688,570
Other revenues	43,045	174,208	217,253
Net assets released from restriction	<u>7,325,565</u>	<u>(7,325,565)</u>	<u>-</u>
Total support and revenue	<u>11,177,389</u>	<u>(34,395)</u>	<u>11,142,994</u>
EXPENSES			
Functional expenses			
Program services	7,552,658	-	7,552,658
General and administrative	2,141,808	-	2,141,808
Fundraising	<u>691,489</u>	<u>-</u>	<u>691,489</u>
Total functional expenses	<u>10,385,955</u>	<u>-</u>	<u>10,385,955</u>
Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
Total expenses	<u>10,386,660</u>	<u>-</u>	<u>10,386,660</u>
CHANGE IN NET ASSETS	790,729	(34,395)	756,334
Net assets – beginning of year	<u>1,150,452</u>	<u>4,102,935</u>	<u>5,253,387</u>
Net assets – end of year	<u>\$ 1,941,181</u>	<u>\$ 4,068,540</u>	<u>\$ 6,009,721</u>

CBMC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 3,918,665	\$ 1,210,817	\$ 390,916	\$ 5,520,398
Payroll taxes	288,421	89,118	28,772	406,311
Other benefits	<u>407,145</u>	<u>125,803</u>	<u>40,616</u>	<u>573,564</u>
Total salaries and benefits	4,614,231	1,425,738	460,304	6,500,273
Automobile	94,016	29,050	9,378	132,444
Travel	49,465	15,284	4,935	69,684
Meals	61,227	18,918	6,108	86,253
Meetings	241,461	74,608	24,088	340,157
Rent and utilities	160,240	49,512	15,985	225,737
Telephone	73,114	22,591	7,294	102,999
Supplies	18,355	5,672	1,831	25,858
Materials	16,319	5,042	1,628	22,989
Administrative fees	591,650	-	-	591,650
Support agreements	75,011	23,178	7,483	105,672
Printing	67,647	20,902	6,748	95,297
Equipment	60,872	18,809	6,072	85,753
Data processing	25,337	7,829	2,527	35,693
Professional fees	224,248	69,289	22,370	315,907
Postage	36,393	11,245	3,631	51,269
Insurance	12,141	3,751	1,211	17,103
Depreciation	14,842	4,586	1,480	20,908
Other	<u>295,745</u>	<u>91,381</u>	<u>29,503</u>	<u>416,629</u>
Total functional expenses	<u>\$ 6,732,314</u>	<u>\$ 1,897,385</u>	<u>\$ 612,576</u>	<u>\$ 9,242,275</u>

CBMC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 3,824,533	\$ 1,181,731	\$ 381,526	\$ 5,387,790
Payroll taxes	286,495	88,523	28,580	403,598
Other benefits	386,236	119,342	38,530	544,108
Total salaries and benefits	<u>4,497,264</u>	<u>1,389,596</u>	<u>448,636</u>	<u>6,335,496</u>
Automobile	191,229	59,088	19,077	269,394
Travel	180,254	55,696	17,982	253,932
Meals	264,968	81,872	26,433	373,273
Meetings	467,249	144,374	46,612	658,235
Rent and utilities	167,971	51,901	16,756	236,628
Telephone	84,274	26,040	8,407	118,721
Supplies	20,721	6,402	2,067	29,190
Materials	58,904	18,200	5,876	82,980
Administrative fees	620,953	-	-	620,953
Support agreements	135,033	41,723	13,470	190,226
Printing	77,713	24,012	7,752	109,477
Equipment	69,493	21,473	6,933	97,899
Data processing	36,347	11,231	3,626	51,204
Professional fees	274,416	84,791	27,375	386,582
Postage	45,845	14,166	4,573	64,584
Insurance	14,808	4,576	1,477	20,861
Depreciation	14,649	4,526	1,461	20,636
Other	<u>330,567</u>	<u>102,141</u>	<u>32,976</u>	<u>465,684</u>
Total functional expenses	<u>\$ 7,552,658</u>	<u>\$ 2,141,808</u>	<u>\$ 691,489</u>	<u>\$ 10,385,955</u>

CBMC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,607,523	\$ 756,334
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	20,908	20,636
Gain on investments	(131,755)	(325,651)
Change in operating assets and liabilities:		
Promises to give, net	(600,755)	(15,957)
Accounts receivable, net	(5,022)	(1,436)
Inventories	4,819	120
Prepayments	1,943	(1,299)
Accounts payable and accrued expenses	(72,374)	96,193
Accrued salaries, benefits, and compensated absences	<u>39,496</u>	<u>(105,596)</u>
Net cash from operating activities	<u>864,783</u>	<u>423,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested investment earnings	(133,155)	(118,386)
Purchases of investments	(1,152,552)	(1,213,923)
Proceeds from investments	603,536	503,536
Change in cash surrender value of life insurance policies	78,611	1,042
Purchases of property and equipment	<u>(28,812)</u>	<u>(90,136)</u>
Net cash from investing activities	<u>(632,372)</u>	<u>(917,867)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	232,411	(494,523)
Cash and cash equivalents – beginning of year	<u>1,496,498</u>	<u>1,991,021</u>
Cash and cash equivalents – end of year	<u>\$ 1,728,909</u>	<u>\$ 1,496,498</u>

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 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

Basis of Presentation

CBMC prepares its financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board (“FASB”) establishes GAAP in the Accounting Standards Codification (“ASC”). Updates to the ASC are done through the issuance of Accounting Standards Updates (“ASU”). GAAP requires CBMC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of CBMC. These net assets may be used at the discretion of CBMC’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CBMC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2020 and 2019:

	2020	2019
Specific Purpose		
Revenues restricted for National Office	\$ 1,601,900	\$ 735,872
Revenues restricted for Local Offices	<u>3,294,879</u>	<u>3,332,668</u>
	<u>\$ 4,896,779</u>	<u>\$ 4,068,540</u>

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 net realizable value. 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.

Revenue Recognition

On January 1, 2019, CBMC adopted ASU 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASC 606”). Substantially all of CBMC’s services fall within the scope of ASC 606.

ASC 606 outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step revenue recognition model is as follows:

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to performance obligations in the contract
- 5) Recognize revenue when or as CBMC satisfies a performance obligation

The adoption of this ASU did not have a material impact on CBMC's financial statements. CBMC's revenue arrangements generally consist of a single performance obligation to transfer promised goods and services. Based on CBMC's evaluation process, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

All goods or services are transferred at a point in time.

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
Leasehold improvements	15 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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction end or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 GAAP.

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. All allocations are determined by management and allocated on the basis of time and effort.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

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, 2017 through December 31, 2020, the years that remain subject to examination by major tax jurisdictions as of December 31, 2020.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Years of Service	Total Days
0-5 years	12 Days
5-10 years	18 Days
10+ years	24 Days

Non-salaried employees and permanent part-time employees are eligible to accrue vacation time. Personal time off is accrued each pay period, based on the number of hours paid to the employee. Personal time off can be used as either sick leave or vacation leave.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents CBMC's financial assets at December 31, 2020:

Financial assets at year-end:

Cash and cash equivalents	\$ 1,728,909
Promises to give, net	791,423
Accounts receivable, net	22,531
Inventories	13,907
Prepayments	26,865
Investments	<u>5,295,716</u>
Total financial assets	<u>7,879,351</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,896,779
Less net assets with purpose restrictions to be met in less than a year	<u>(4,896,779)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,879,351</u>

As part of CBMC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CBMC has approximately 85% of its functional expenses, excluding depreciation, reserved in financial assets available to meet expenditures over the next twelve months.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 4 – 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.

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 includes 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.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 4 – INVESTMENTS (Continued)

A summary of the inputs used to value CBMC’s investments at December 31, 2020 and 2019, is as follows:

	Fair Value Measurements at Reporting Date Using (Level 1)
December 31, 2020	
Cash and cash equivalents	\$ 1,507,427
Mutual funds	842,419
Equity investments	540,318
Exchange traded funds	1,400,017
Fixed income	915,427
Insurance annuity contracts	<u>90,108</u>
	<u>\$ 5,295,716</u>
 December 31, 2019	
Cash and cash equivalents	\$ 698,889
Money market funds	985,997
Equity investments	692,756
Exchange traded funds	986,747
Fixed income	1,027,293
Insurance annuity contracts	<u>90,108</u>
	<u>\$ 4,481,790</u>

Investment income consists of the following:

	2020	2019
Interest and dividend income	\$ 133,155	\$ 118,386
Net realized and unrealized gain	<u>131,755</u>	<u>325,651</u>
	<u>\$ 264,910</u>	<u>\$ 444,037</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Furniture, fixtures, and equipment	\$ 1,019,892	\$ 991,081
Leasehold improvements	25,292	25,292
Accumulated depreciation	<u>(935,730)</u>	<u>(914,823)</u>
	<u>\$ 109,454</u>	<u>\$ 101,550</u>

Depreciation expense was \$20,908 and \$20,636 for the years ended December 31, 2020 and 2019, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 6 – 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.

NOTE 7 – RETIREMENT PLAN

CBMC sponsors a 401(k) plan which covers substantially all employees. CBMC matches 100% of employee contributions up to 6% 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 \$228,946 and \$215,628 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 – LEASE COMMITMENTS

CBMC leased office space under a one-year lease agreement ending November 30, 2019. The agreement called for monthly payments of \$9,517. In September 2019, CBMC renewed the lease agreement extending the agreement through August 31, 2024. The renewed agreement calls for escalating payments from \$10,423 to \$11,523 over the term of the lease.

CBMC also leases various office equipment under noncancelable operating leases. Monthly payments range from \$418 to \$720.

Minimum lease payments under noncancelable operating leases as of December 31, 2020, are as follows:

Year Ending	Amount
2021	\$ 141,501
2022	140,277
2023	140,625
2024	<u>97,201</u>
	<u>\$ 519,604</u>

Total rent expense was \$221,548 and \$227,314 for the years ended December 31, 2020 and 2019, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 or 2019.

During the years ended December 31, 2020 and 2019, CBMC received unrestricted contributions totaling \$104,926 and \$114,280, respectively, from members of the board of directors or members of management of CBMC.

NOTE 10 – 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.

For the years ended December 31, 2020 and 2019, CBMC recognized revenue from one major donor that exceeded 10% of total revenue.

NOTE 11 – RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency for the current period presentation.

NOTE 12 – PAYROLL PROTECTION PROGRAM

During the year, CBMC was eligible for and received loan funds totaling \$1,010,496 through the Paycheck Protection Program ("PPP") operated by the U.S. Small Business Administration ("SBA"). Under the terms of this program, the loan may be forgiven if the funds were spent in accordance with the program. On December 10, 2020, CBMC received notification from the SBA that the entire amount of the loan was forgiven. Therefore, these funds are included in the statement of income as governmental grants totaling \$1,010,496 for the year ended December 31, 2020.

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-02, *Leases* (Topic 842), in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to CBMC's financial statements for the year ending December 31, 2022, with earlier implementation permitted. CBMC's management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 14 – RISK AND UNCERTAINTIES

During the year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Many industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. If the pandemic continues, it may have an adverse effect on CBMC's future operations, financial position, and liquidity.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to December 31, 2020 through the date of the independent accountant's review 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 other items requiring recognition or disclosure.