

**CBMC, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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**CERTIFIED PUBLIC ACCOUNTANTS**

# CBMC, INC.

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DECEMBER 31, 2018 AND 2017

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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 statements of financial position of CBMC, Inc. (a nonprofit organization) as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 1, 2019

*Henderson Hutcherson*

# CBMC, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

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	<b>ASSETS</b>	
	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 1,991,021	\$ 1,229,068
Accounts receivable, net	190,784	822,058
Inventories	18,846	21,778
Prepayments	27,509	29,362
Investments	3,327,366	3,577,430
Property held for sale	5,000	5,000
Property and equipment, net	32,050	49,783
Cash surrender value of life insurance policies	<u>107,409</u>	<u>107,467</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,699,985</u></b>	<b><u>\$ 5,841,946</u></b>
	<b>LIABILITIES AND NET ASSETS</b>	
	<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 67,122	\$ 36,710
Accrued salaries, benefits, and compensated absences	375,827	333,143
Annuity obligations	<u>3,649</u>	<u>3,649</u>
Total liabilities	<u>446,598</u>	<u>373,502</u>
	<b>NET ASSETS</b>	
Without donor restrictions	1,150,452	1,478,271
With donor restrictions	<u>4,102,935</u>	<u>3,990,173</u>
Total net assets	<u>5,253,387</u>	<u>5,468,444</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,699,985</u></b>	<b><u>\$ 5,841,946</u></b>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 2,380,652	\$ 5,387,780	\$ 7,768,432
Support service fee	532,950	-	532,950
Sales	18,128	-	18,128
Material and event support	9,750	-	9,750
Interest and dividend income	125,303	-	125,303
Net realized and unrealized loss	(372,263)	-	(372,263)
Other revenues	79,380	1,395,938	1,475,318
Net assets released from restriction	<u>6,670,956</u>	<u>(6,670,956)</u>	<u>-</u>
Total support and revenue	<u>9,444,856</u>	<u>112,762</u>	<u>9,557,618</u>
<b>EXPENSES AND LOSSES</b>			
Program services			
Field ministry	5,383,416	-	5,383,416
Leadership institute and forums	960,615	-	960,615
Ministry tools	315,249	-	315,249
Leadership development and training	292,535	-	292,535
Outreach and conference events	<u>403,796</u>	<u>-</u>	<u>403,796</u>
Total program expenses	<u>7,355,611</u>	<u>-</u>	<u>7,355,611</u>
Supporting services			
General and administrative	1,358,092	-	1,358,092
Fund raising	<u>1,058,267</u>	<u>-</u>	<u>1,058,267</u>
Total supporting services	<u>2,416,359</u>	<u>-</u>	<u>2,416,359</u>
Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
Total expenses and losses	<u>9,772,675</u>	<u>-</u>	<u>9,772,675</u>
<b>CHANGE IN NET ASSETS</b>	(327,819)	112,762	(215,057)
Net assets – beginning of year	<u>1,478,271</u>	<u>3,990,173</u>	<u>5,468,444</u>
Net assets – end of year	<u>\$ 1,150,452</u>	<u>\$ 4,102,935</u>	<u>\$ 5,253,387</u>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 2,539,300	\$ 5,330,354	\$ 7,869,654
Support service fee	465,007	-	465,007
Sales	30,067	-	30,067
Material and event support	10,650	-	10,650
Interest and dividend income	75,706	-	75,706
Net realized and unrealized gain	125,411	-	125,411
Other revenues	68,067	1,246,459	1,314,526
Net assets released from restriction	<u>5,927,866</u>	<u>(5,927,866)</u>	<u>-</u>
Total support and revenue	<u>9,242,074</u>	<u>648,947</u>	<u>9,891,021</u>
<b>EXPENSES AND LOSSES</b>			
Program services			
Field ministry	5,207,038	-	5,207,038
Leadership institute and forums	932,782	-	932,782
Ministry tools	314,911	-	314,911
Leadership development and training	276,435	-	276,435
Outreach and conference events	<u>367,753</u>	<u>-</u>	<u>367,753</u>
Total program expenses	<u>7,098,919</u>	<u>-</u>	<u>7,098,919</u>
Supporting services			
General and administrative	1,211,393	-	1,211,393
Fund raising	<u>999,361</u>	<u>-</u>	<u>999,361</u>
Total supporting services	<u>2,210,754</u>	<u>-</u>	<u>2,210,754</u>
Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
Total expenses and losses	<u>9,310,378</u>	<u>-</u>	<u>9,310,378</u>
<b>CHANGE IN NET ASSETS</b>	(68,304)	648,947	580,643
Net assets – beginning of year	<u>1,546,575</u>	<u>3,341,226</u>	<u>4,887,801</u>
Net assets – end of year	<u>\$ 1,478,271</u>	<u>\$ 3,990,173</u>	<u>\$ 5,468,444</u>

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

# CBMC, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	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	\$ 3,134,875	\$ 532,397	\$ 136,665	\$ 127,325	\$ 141,703	\$ 455,605	\$ 201,592	\$ 4,730,162
Payroll taxes	238,766	40,130	10,005	9,191	10,215	32,934	14,483	355,724
Other benefits	391,236	65,431	35,265	20,251	23,383	89,262	31,982	656,810
Total salaries and benefits	<u>3,764,877</u>	<u>637,958</u>	<u>181,935</u>	<u>156,767</u>	<u>175,301</u>	<u>577,801</u>	<u>248,057</u>	<u>5,742,696</u>
Automobile	211,463	15,841	2,092	3,054	3,130	8,320	13,228	257,128
Travel	157,509	7,658	6,559	13,024	12,819	32,258	54,219	284,046
Meals	259,364	19,434	4,427	6,955	6,999	16,044	32,245	345,468
Meetings	341,598	22,375	1,917	9,703	46,460	14,388	130,778	567,219
Rent and utilities	90,383	11,964	7,827	7,827	15,654	86,095	15,654	235,404
Telephone	78,202	13,498	2,555	3,807	4,569	15,561	5,304	123,496
Supplies	18,284	1,832	1,254	595	751	2,662	1,589	26,967
Materials	32,679	7,173	15,764	1,867	1,963	1,547	5,415	66,408
Support service fee	72,478	36,239	36,239	36,239	72,478	398,629	72,477	724,779
Printing	17,312	2,540	1,686	1,956	4,040	15,811	101,182	144,527
Equipment	34,777	18,892	4,031	6,369	7,155	20,909	12,818	104,951
Data processing	9,455	10,290	1,735	3,467	3,467	8,443	12,537	49,394
Professional fees	137,317	119,697	18,786	20,904	23,753	73,589	288,584	682,630
Postage	14,871	790	12,535	662	1,073	4,619	17,636	52,186
Insurance	7,329	761	512	512	914	4,498	879	15,405
Depreciation and amortization	1,773	887	887	887	1,773	9,753	1,773	17,733
Other	<u>133,745</u>	<u>32,786</u>	<u>14,508</u>	<u>17,940</u>	<u>21,497</u>	<u>67,165</u>	<u>43,892</u>	<u>331,533</u>
Total functional expenses	<u>\$ 5,383,416</u>	<u>\$ 960,615</u>	<u>\$ 315,249</u>	<u>\$ 292,535</u>	<u>\$ 403,796</u>	<u>\$ 1,358,092</u>	<u>\$ 1,058,267</u>	<u>\$ 9,771,970</u>

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



# CBMC, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services		Total
	Field Ministry	Leadership Institute and Forums	Ministry Tools	Leadership and Development Training	Outreach and Conference Events	General and Administrative	Fund Raising	
Salaries	\$ 2,999,316	\$ 509,375	\$ 130,755	\$ 121,820	\$ 135,575	\$ 435,904	\$ 192,874	\$ 4,525,619
Payroll taxes	231,523	38,913	9,702	8,912	9,905	31,935	14,042	344,932
Other benefits	389,185	65,088	35,080	20,145	23,260	88,794	31,814	653,366
Total salaries and benefits	<u>3,620,024</u>	<u>613,376</u>	<u>175,537</u>	<u>150,877</u>	<u>168,740</u>	<u>556,633</u>	<u>238,730</u>	<u>5,523,917</u>
Automobile	202,662	15,181	2,005	2,926	3,000	7,974	12,678	246,426
Travel	166,514	8,096	6,934	13,768	13,552	34,103	57,319	300,286
Meals	280,604	21,025	4,789	7,525	7,573	17,358	34,885	373,759
Meetings	270,787	17,737	1,520	7,691	36,830	11,406	103,668	449,639
Rent and utilities	95,852	12,688	8,301	8,301	16,601	91,305	16,600	249,648
Telephone	80,766	13,941	2,639	3,932	4,719	16,072	5,477	127,546
Supplies	14,965	1,499	1,026	487	615	2,179	1,300	22,071
Materials	67,841	14,892	32,726	3,876	4,075	3,211	11,242	137,863
Support service fee	48,618	24,309	24,309	24,309	48,618	267,400	48,617	486,180
Printing	13,554	1,988	1,320	1,531	3,163	12,380	79,221	113,157
Equipment	35,224	19,135	4,082	6,450	7,247	21,178	12,982	106,298
Data processing	7,635	8,309	1,401	2,800	2,800	6,818	10,123	39,886
Professional fees	143,652	125,220	19,653	21,868	24,849	76,984	301,897	714,123
Postage	15,063	801	12,696	671	1,087	4,679	17,862	52,859
Insurance	7,043	732	492	492	879	4,323	843	14,804
Depreciation and amortization	1,796	898	898	898	1,796	9,878	1,797	17,961
Other	<u>134,438</u>	<u>32,955</u>	<u>14,583</u>	<u>18,033</u>	<u>21,609</u>	<u>67,512</u>	<u>44,120</u>	<u>333,250</u>
Total functional expenses	<u>\$ 5,207,038</u>	<u>\$ 932,782</u>	<u>\$ 314,911</u>	<u>\$ 276,435</u>	<u>\$ 367,753</u>	<u>\$ 1,211,393</u>	<u>\$ 999,361</u>	<u>\$ 9,309,673</u>

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

# CBMC, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (215,057)	\$ 580,643
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	17,733	17,961
Investment (gain) loss	372,263	(125,411)
Change in assets and liabilities:		
Accounts receivable, net	631,274	(663,512)
Inventories	2,932	103,025
Prepayments	1,853	(12,639)
Accounts payable and accrued expenses	30,412	(29,525)
Accrued salaries, benefits, and compensated absences	<u>42,684</u>	<u>1,002</u>
Net cash from operating activities	<u>884,094</u>	<u>(128,456)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested investment earnings	(125,303)	(75,706)
Purchases of investments	-	(395,000)
Dividend income	3,104	3,536
Change in cash surrender value of life insurance policies	58	(724)
Purchases of property and equipment	<u>-</u>	<u>(3,745)</u>
Net cash from investing activities	<u>(122,141)</u>	<u>(471,639)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	761,953	(600,095)
Cash and cash equivalents – beginning of year	<u>1,229,068</u>	<u>1,829,163</u>
Cash and cash equivalents – end of year	<u>\$ 1,991,021</u>	<u>\$ 1,229,068</u>

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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

#### New Accounting Pronouncement

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

#### Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization 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 the Organization. These net assets may be used at the discretion of the Organization'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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by 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.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

#### Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2018 and 2017:

	2018	2017
Specific Purpose		
Revenues restricted for National Office	\$ 807,418	\$ 883,822
Revenues restricted for Local Offices	<u>3,295,517</u>	<u>3,106,351</u>
Totals	<u>\$ 4,102,935</u>	<u>\$ 3,990,173</u>

#### 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 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.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

#### **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
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#### **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.

#### **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.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### NOTE 2 – 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.

#### 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 Accounting Standards Codification (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, 2015 through December 31, 2018, the years that remain subject to examination by major tax jurisdictions as of December 31, 2018.

#### Compensated Absences

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

Years of Service	Total Days
1-5 years	12 Days
5-10 years	18 Days
10+ years	24 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.

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,991,021
Accounts receivable, net	190,784
Inventories	18,846
Prepayments	27,509
Investments	<u>3,327,366</u>
Total financial assets	<u>5,555,526</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,102,935
Less net assets with purpose restrictions to be met in less than a year	<u>(4,102,935)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,555,526</u>

### 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.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### NOTE 4 – INVESTMENTS (Continued)

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, 2018 and 2017, is as follows:

	<b>Fair Value Measurements at Reporting Date Using</b>	
	<b>(Level 1)</b>	
<b>December 31, 2018</b>		
Cash	\$	243,026
Mutual funds		1,172,588
Equity investments		158,226
Exchange traded funds		444,036
Fixed income		1,219,382
Insurance annuity contracts		90,108
	\$	<u>3,327,366</u>
<b>December 31, 2017</b>		
Cash	\$	164,043
Money market funds		20,894
Equity investments		668,570
Exchange traded funds		299,780
Fixed income		2,016,611
Other assets		317,424
Insurance annuity contracts		90,108
	\$	<u>3,577,430</u>

Investment income consists of the following:

	<b>2018</b>	<b>2017</b>
Interest and dividend income	\$ 125,303	\$ 75,706
Net realized and unrealized (loss) gain	<u>(372,263)</u>	<u>125,411</u>
	<u>\$ (246,960)</u>	<u>\$ 201,117</u>



# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Furniture, fixtures, and equipment	\$ 926,236	\$ 926,236
Accumulated depreciation	<u>(894,186)</u>	<u>(876,453)</u>
	<u>\$ 32,050</u>	<u>\$ 49,783</u>

Depreciation expense was \$17,733 and \$17,961 for the years ended December 31, 2018 and 2017, respectively.

### 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 \$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 \$294,239 and \$246,858 for the years ended December 31, 2018 and 2017, respectively.

### NOTE 8 – LEASE COMMITMENTS

CBMC leases office space under a one-year lease agreement. From October 1, 2017 through September 30, 2018, the base amount for year one will be \$9,223 per month. On December 1, 2018 through November 30, 2019, the base amount for year two will be \$9,571 per month.

CBMC also leases various office equipment under noncancelable operating leases. Monthly payments range from \$513 to \$720.

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### NOTE 8 – LEASE COMMITMENTS (Continued)

Minimum lease payments under noncancelable operating leases as of December 31, 2018, are as follows:

Year Ending	Amount
2019	\$ 120,081
2020	11,718
2021	8,638
2022	<u>3,599</u>
	<u>\$ 144,036</u>

Total rent expense was \$220,433 and \$230,077 for the years ended December 31, 2018 and 2017, 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, 2018 or 2017.

During the years ended December 31, 2018 and 2017, CBMC received unrestricted contributions totaling approximately \$162,290 and \$346,667, 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.

### NOTE 11 – RECLASSIFICATIONS

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

### NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to December 31, 2018 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.