

CBMC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



CERTIFIED PUBLIC ACCOUNTANTS

CBMC, INC.

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DECEMBER 31, 2019 AND 2018

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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. as of December 31, 2019 and 2018, 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, 2019 and 2018, 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
April 1, 2020

Henderson Hutcherson

CBMC, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	ASSETS		
		2019	2018
Cash and cash equivalents		\$ 1,496,498	\$ 1,991,021
Accounts receivable, net		208,177	190,784
Inventories		18,726	18,846
Prepayments		28,808	27,509
Investments		4,481,790	3,327,366
Property held for sale		5,000	5,000
Property and equipment, net		101,550	32,050
Cash surrender value of life insurance policies		<u>106,367</u>	<u>107,409</u>
TOTAL ASSETS		<u>\$ 6,446,916</u>	<u>\$ 5,699,985</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses		\$ 163,315	\$ 67,122
Accrued salaries, benefits, and compensated absences		270,231	375,827
Annuity obligations		<u>3,649</u>	<u>3,649</u>
Total liabilities		<u>437,195</u>	<u>446,598</u>
NET ASSETS			
Without donor restrictions		1,941,181	1,150,452
With donor restrictions		<u>4,068,540</u>	<u>4,102,935</u>
Total net assets		<u>6,009,721</u>	<u>5,253,387</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 6,446,916</u>	<u>\$ 5,699,985</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 and gifts	\$ 2,691,046	\$ 6,428,392	\$ 9,119,438
Support service fee	589,369	-	589,369
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 gains	325,651	-	325,651
Membership fees	-	688,570	688,570
Other revenues	74,630	174,208	248,838
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	10,385,955	-	10,385,955
 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>

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
SUPPORT AND REVENUE			
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>
 EXPENSES			
Functional expenses			
Program services	7,355,611	-	7,355,611
General and administrative	1,358,092	-	1,358,092
Fundraising	<u>1,058,267</u>	<u>-</u>	<u>1,058,267</u>
 Total functional expenses	<u>9,771,970</u>	<u>-</u>	<u>9,771,970</u>
 Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
 Total expenses	<u>9,772,675</u>	<u>-</u>	<u>9,772,675</u>
 CHANGE IN NET ASSETS	 (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 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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 4,072,965	\$ 455,605	\$ 201,592	\$ 4,730,162
Payroll taxes	308,307	32,934	14,483	355,724
Other benefits	535,566	89,262	31,982	656,810
Total salaries and benefits	<u>4,916,838</u>	<u>577,801</u>	<u>248,057</u>	<u>5,742,696</u>
Automobile	235,580	8,320	13,228	257,128
Travel	197,569	32,258	54,219	284,046
Meals	297,179	16,044	32,245	345,468
Meetings	422,053	14,388	130,778	567,219
Rent and utilities	133,655	86,095	15,654	235,404
Telephone	102,631	15,561	5,304	123,496
Supplies	22,716	2,662	1,589	26,967
Materials	59,446	1,547	5,415	66,408
Support service fee	253,673	398,629	72,477	724,779
Printing	27,534	15,811	101,182	144,527
Equipment	71,224	20,909	12,818	104,951
Data processing	28,414	8,443	12,537	49,394
Professional fees	320,457	73,589	288,584	682,630
Postage	29,931	4,619	17,636	52,186
Insurance	10,028	4,498	879	15,405
Depreciation	6,207	9,753	1,773	17,733
Other	<u>220,476</u>	<u>67,165</u>	<u>43,892</u>	<u>331,533</u>
Total functional expenses	<u>\$ 7,355,611</u>	<u>\$ 1,358,092</u>	<u>\$ 1,058,267</u>	<u>\$ 9,771,970</u>

CBMC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 756,334	\$ (215,057)
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	20,636	17,733
Investment (gain) loss	(325,651)	372,263
Change in operating assets and liabilities:		
Accounts receivable, net	(17,393)	631,274
Inventories	120	2,932
Prepayments	(1,299)	1,853
Accounts payable and accrued expenses	96,193	30,412
Accrued salaries, benefits, and compensated absences	<u>(105,596)</u>	<u>42,684</u>
Net cash from operating activities	<u>423,344</u>	<u>884,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested investment earnings	(118,386)	(125,303)
Purchases of investments	(1,213,923)	-
Proceeds from investments	503,536	3,104
Change in cash surrender value of life insurance policies	1,042	58
Purchases of property and equipment	<u>(90,136)</u>	<u>-</u>
Net cash from investing activities	<u>(917,867)</u>	<u>(122,141)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(494,523)	761,953
Cash and cash equivalents – beginning of year	<u>1,991,021</u>	<u>1,229,068</u>
Cash and cash equivalents – end of year	<u>\$ 1,496,498</u>	<u>\$ 1,991,021</u>

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standards effective January 1, 2019.

The adoption of this ASU did not have a material impact on the Organization’s financial statements. The Organization’s revenue arrangements generally consist of a single performance obligation to transfer promised goods and services. Based on the Organization’s evaluation process, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018:

	2019	2018
Specific Purpose		
Revenues restricted for National Office	\$ 735,872	\$ 708,375
Revenues restricted for Local Offices	<u>3,332,668</u>	<u>3,295,696</u>
Totals	<u>\$ 4,068,540</u>	<u>\$ 4,004,071</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 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.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities donated to CBMC are typically sold upon receipt or shortly thereafter and contribution income is recognized for the net proceeds.

Property held for sale is recorded at estimated fair value and consists of donated real estate.

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.

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.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2016 through December 31, 2019, the years that remain subject to examination by major tax jurisdictions as of December 31, 2019.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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
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.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,496,498
Accounts receivable, net	208,177
Inventories	18,726
Prepayments	28,808
Investments	<u>4,481,790</u>
Total financial assets	<u>6,233,999</u>
 Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,068,540
Less net assets with purpose restrictions to be met in less than a year	<u>(4,068,540)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,233,999</u>

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

As part of the Organization’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. The Organization has approximately 60% of its functional expenses, excluding depreciation, reserved in financial assets available to meet expenditures over the next twelve months.

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, 2019 AND 2018

NOTE 4 – INVESTMENTS (Continued)

A summary of the inputs used to value CBMC’s investments at December 31, 2019 and 2018, is as follows:

	Fair Value Measurements at Reporting Date Using (Level 1)
December 31, 2019	
Cash and cash equivalents	\$ 698,889
Mutual 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>
 December 31, 2018	
Cash and cash equivalents	\$ 243,026
Money market funds	1,172,588
Equity investments	158,226
Exchange traded funds	444,036
Fixed income	1,219,382
Insurance annuity contracts	<u>90,108</u>
	<u>\$ 3,327,366</u>

Investment income consists of the following:

	2019	2018
Interest and dividend income	\$ 118,386	\$ 125,303
Net realized and unrealized gain (loss)	<u>325,651</u>	<u>(372,263)</u>
	<u>\$ 444,037</u>	<u>\$ (246,960)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Furniture, fixtures, and equipment	\$ 991,081	\$ 926,236
Leasehold improvements	25,292	-
Accumulated depreciation	<u>(914,823)</u>	<u>(894,186)</u>
	<u>\$ 101,550</u>	<u>\$ 32,050</u>

Depreciation expense was \$20,636 and \$17,733 for the years ended December 31, 2019 and 2018, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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. Through 2018, CBMC matched \$0.50 for each dollar of an employee contribution up to 3% of the employee's qualifying compensation. Beginning in 2019, CBMC amended the match to contribute 100% of an employee contribution 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 \$215,628 and \$294,239 for the years ended December 31, 2019 and 2018, 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 \$513 to \$720.

Minimum lease payments under noncancelable operating leases as of December 31, 2019, are as follows:

Year Ending	Amount
2020	\$ 135,855
2021	136,483
2022	135,259
2023	135,607
Thereafter	<u>92,183</u>
	<u>\$ 635,387</u>

Total rent expense was \$227,314 and \$220,433 for the years ended December 31, 2019 and 2018, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 or 2018.

During the years ended December 31, 2019 and 2018, CBMC received unrestricted contributions totaling approximately \$114,280 and \$162,290, 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 – 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 the Organization's financial statements for the year ending December 31, 2021, with earlier implementation permitted. The Organization's management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date 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. Except for the matter discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 13 – SUBSEQUENT EVENTS (Continued)

Subsequent to December 31, 2019, 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 and size and duration of group meetings. Most 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. However, given there can be no assurances regarding the duration of this pandemic, it is at least possible that material adverse consequences to our financial position, results of operations and cash flows could result.