

**CBMC, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



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**CERTIFIED PUBLIC ACCOUNTANTS**

# CBMC, INC.

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DECEMBER 31, 2021 AND 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of CBMC, Inc. which comprise the statements of financial position as of December 31, 2021 and 2020, and related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CBMC, Inc. as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CBMC, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CBMC, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CBMC, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CBMC, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Chattanooga, Tennessee  
April 15, 2022

*Henderson Hutcherson  
& McCullough, PLLC*

# CBMC, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

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	<b>ASSETS</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,572,639	\$ 1,728,909
Promises to give, net	600,000	791,423
Accounts receivable, net	17,080	22,531
Inventories	13,907	13,907
Prepayments	24,818	26,865
Investments	6,206,092	5,295,716
Property held for sale	5,000	5,000
Property and equipment, net	166,481	109,454
Cash surrender value of life insurance policies	<u>28,898</u>	<u>27,756</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,634,915</u></b>	<b><u>\$ 8,021,561</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,297	\$ 16,789
Accrued salaries, benefits, and compensated absences	385,810	383,879
Annuity obligations	<u>3,649</u>	<u>3,649</u>
Total liabilities	<u>393,756</u>	<u>404,317</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,289,489	2,720,465
With donor restrictions	<u>5,951,670</u>	<u>4,896,779</u>
Total net assets	<u>8,241,159</u>	<u>7,617,244</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,634,915</u></b>	<b><u>\$ 8,021,561</u></b>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and gifts	\$ 2,432,406	\$ 6,404,774	\$ 8,837,180
Support service fee	670,426	-	670,426
Sales	15,293	-	15,293
Interest and dividend income	167,467	-	167,467
Net realized and unrealized gains	125,054	-	125,054
Membership fees	-	884,792	884,792
Other revenues	218,553	-	218,553
Net assets released from restriction	<u>6,234,675</u>	<u>(6,234,675)</u>	<u>-</u>
 Total support and revenue	<u>9,863,874</u>	<u>1,054,891</u>	<u>10,918,765</u>
 <b>EXPENSES</b>			
Functional expenses			
Program services	8,360,598	-	8,360,598
General and administrative	1,040,868	-	1,040,868
Fundraising	<u>892,679</u>	<u>-</u>	<u>892,679</u>
 Total functional expenses	<u>10,294,145</u>	<u>-</u>	<u>10,294,145</u>
 Changes and payments for annuity obligations	<u>705</u>	<u>-</u>	<u>705</u>
 Total expenses	<u>10,294,850</u>	<u>-</u>	<u>10,294,850</u>
 <b>CHANGE IN NET ASSETS</b>	 (430,976)	 1,054,891	 623,915
 Net assets – beginning of year	<u>2,720,465</u>	<u>4,896,779</u>	<u>7,617,244</u>
 Net assets – end of year	<u>\$ 2,289,489</u>	<u>\$ 5,951,670</u>	<u>\$ 8,241,159</u>

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

# CBMC, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 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 loss	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>
 <b>EXPENSES</b>			
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>
 <b>CHANGE IN NET ASSETS</b>	 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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

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	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 4,483,677	\$ 603,929	\$ 517,950	\$ 5,605,556
Payroll taxes	336,131	45,275	38,830	420,236
Other benefits	<u>462,124</u>	<u>62,246</u>	<u>53,384</u>	<u>577,754</u>
Total salaries and benefits	5,281,932	711,450	610,164	6,603,546
Automobile	135,547	18,258	15,658	169,463
Travel	111,991	15,085	12,937	140,013
Meals	139,277	18,760	16,089	174,126
Meetings	702,477	94,620	81,150	878,247
Rent and utilities	189,764	25,560	21,922	237,246
Telephone	75,085	10,114	8,673	93,872
Supplies	36,896	4,970	4,262	46,128
Materials	49,405	6,655	5,707	61,767
Administrative fees	633,028	-	-	633,028
Support agreements	72,833	9,810	8,414	91,057
Printing	83,015	11,182	9,590	103,787
Equipment	89,125	12,005	10,295	111,425
Data processing	35,232	4,746	4,070	44,048
Professional fees	311,490	41,956	35,982	389,428
Postage	35,384	4,766	4,087	44,237
Insurance	10,725	1,445	1,239	13,409
Depreciation	17,707	2,385	2,045	22,137
Other	<u>349,685</u>	<u>47,101</u>	<u>40,395</u>	<u>437,181</u>
Total functional expenses	<u>\$ 8,360,598</u>	<u>\$ 1,040,868</u>	<u>\$ 892,679</u>	<u>\$ 10,294,145</u>



# CBMC, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

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	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
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.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 623,915	\$ 1,607,523
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	22,137	20,908
Gain on investments	(125,054)	(131,755)
Change in operating assets and liabilities:		
Promises to give, net	191,423	(600,755)
Accounts receivable, net	5,451	(5,022)
Inventories	-	4,819
Prepayments	2,047	1,943
Accounts payable and accrued expenses	(12,492)	(72,374)
Accrued salaries, benefits, and compensated absences	<u>1,931</u>	<u>39,496</u>
Net cash from operating activities	<u>709,358</u>	<u>864,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested investment earnings	(167,467)	(133,155)
Purchases of investments	(2,486,150)	(1,152,552)
Proceeds from investments	1,868,295	603,536
Change in cash surrender value of life insurance policies	(1,142)	78,611
Purchases of property and equipment	<u>(79,164)</u>	<u>(28,812)</u>
Net cash from investing activities	<u>(865,628)</u>	<u>(632,372)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(156,270)	232,411
Cash and cash equivalents – beginning of year	<u>1,728,909</u>	<u>1,496,498</u>
Cash and cash equivalents – end of year	<u>\$ 1,572,639</u>	<u>\$ 1,728,909</u>

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 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 years ended December 31:

	2021	2020
Specific Purpose		
Revenues restricted for National Office	\$ 1,997,944	\$ 1,601,900
Revenues restricted for Local Offices	<u>3,953,726</u>	<u>3,294,879</u>
	<u>\$ 5,951,670</u>	<u>\$ 4,896,779</u>

(Continued)

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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### 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**

CBMC follows the guidance of ASC 606, *Revenue from Contracts with Customers*. 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, 2021 AND 2020

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### 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

CBMC's revenue arrangements generally consist of a single performance obligation to transfer promised goods and services.

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, fixtures, 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, 2021 AND 2020

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### 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, 2018 through December 31, 2021, the years that remain subject to examination by major tax jurisdictions as of December 31, 2021.

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# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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### 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, 2021:

Financial assets at year-end:

Cash and cash equivalents	\$ 1,572,639
Promises to give, net	600,000
Accounts receivable, net	17,080
Inventories	13,907
Prepayments	24,818
Investments	<u>6,206,092</u>
Total financial assets	<u>8,434,536</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	5,951,670
Less net assets with purpose restrictions to be met in less than a year	<u>(5,951,670)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,434,536</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 82% 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, 2021 AND 2020

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### 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, 2021 AND 2020

### NOTE 4 – INVESTMENTS (Continued)

A summary of the inputs used to value CBMC's investments at December 31, 2021 and 2020, is as follows:

	Fair Value Measurements at Reporting Date Using	
	(Level 1)	
<b>December 31, 2021</b>		
Cash and cash equivalents	\$	350,736
Mutual funds		2,477,462
Equity investments		1,071,731
Exchange traded funds		867,986
Fixed income		1,340,501
Other assets		7,568
Insurance annuity contracts		90,108
	\$	<u>6,206,092</u>
<b>December 31, 2020</b>		
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		90,108
	\$	<u>5,295,716</u>

Investment income consists of the following:

	2021	2020
Interest and dividend income	\$ 167,467	\$ 133,155
Net realized and unrealized gain	<u>125,054</u>	<u>131,755</u>
	<u>\$ 292,521</u>	<u>\$ 264,910</u>

### NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Furniture, fixtures, and equipment	\$ 1,099,056	\$ 1,019,892
Leasehold improvements	25,292	25,292
Accumulated depreciation	<u>(957,867)</u>	<u>(935,730)</u>
	<u>\$ 166,481</u>	<u>\$ 109,454</u>

Depreciation expense was \$22,137 and \$20,908 for the years ended December 31, 2021 and 2020, respectively.

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions through satisfying purpose restrictions. The transfer between net assets totaled \$6,234,675 and \$5,492,302 during the years ended December 31, 2021 and 2020.

As of December 31, 2021, there were \$5,951,670 net assets with donor restrictions.

### NOTE 7 – 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 8 – 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 \$238,416 and \$228,946 for the years ended December 31, 2021 and 2020, respectively.

### NOTE 9 – LEASE COMMITMENTS

In September 2019, CBMC renewed the office space 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, 2021, are as follows:

Year Ending	Amount
2022	\$ 140,277
2023	140,625
2024	96,365
	<u>\$ 377,267</u>

Total rent expense was \$234,838 and \$221,548 for the years ended December 31, 2021 and 2020, respectively.

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 – 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, 2021 or 2020.

During the years ended December 31, 2021 and 2020, CBMC received unrestricted contributions totaling \$227,870 and \$104,926, respectively, from members of the board of directors or members of management of CBMC.

### NOTE 11 – CONCENTRATIONS

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

For the years ended December 31, 2021 and 2020, CBMC recognized revenue from one major donor that exceeded 10% of total revenue.

### NOTE 12 – RECLASSIFICATIONS

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

### NOTE 13 – PAYROLL PROTECTION PROGRAM

During the year ended December 31, 2020, 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 14 – 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. CBMC's management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.

# CBMC, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 15 – RISK AND UNCERTAINTIES**

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 16 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to December 31, 2021 through April 15, 2022 (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.