

CBMC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



CERTIFIED PUBLIC ACCOUNTANTS

CBMC, INC.

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DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Cleveland, Tennessee
April 20, 2023

*Henderson Hutcherson
& McCullough, PLLC*

CBMC, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	ASSETS	
	2022	2021
Cash and cash equivalents	\$ 2,119,742	\$ 1,572,639
Promises to give, net	1,000,000	600,000
Accounts receivable, net	27,405	17,080
Inventories	-	13,907
Prepayments	21,500	24,818
Investments	5,775,207	6,206,092
Property held for sale	-	5,000
Property and equipment, net	148,278	166,481
Cash surrender value of life insurance policies	30,084	28,898
Right of use asset	<u>390,872</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,513,088</u>	<u>\$ 8,634,915</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lease liability - current portion	\$ 218,688	\$ -
Accounts payable	19,325	4,297
Accrued salaries, benefits, and compensated absences	347,185	385,810
Annuity obligations	<u>3,649</u>	<u>3,649</u>
Total current liabilities	588,847	393,756
LONG-TERM LIABILITIES		
Lease liability, net of current maturities	<u>176,220</u>	<u>-</u>
Total liabilities	<u>765,067</u>	<u>393,756</u>
NET ASSETS		
Without donor restrictions	2,057,686	2,289,489
With donor restrictions	<u>6,690,335</u>	<u>5,951,670</u>
Total net assets	<u>8,748,021</u>	<u>8,241,159</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,513,088</u>	<u>\$ 8,634,915</u>

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

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 2,838,693	\$ 6,690,632	\$ 9,529,325
Support service fee	648,442	-	648,442
Sales	25,656	-	25,656
Interest and dividend income	150,518	-	150,518
Net realized and unrealized losses	(598,057)	-	(598,057)
Membership fees	-	992,535	992,535
Other revenues	105,612	-	105,612
Net assets released from restriction	<u>6,944,502</u>	<u>(6,944,502)</u>	<u>-</u>
 Total support and revenue	<u>10,115,366</u>	<u>738,665</u>	<u>10,854,031</u>
 EXPENSES			
Functional expenses			
Program services	8,408,282	-	8,408,282
General and administrative	1,042,735	-	1,042,735
Fundraising	<u>894,284</u>	<u>-</u>	<u>894,284</u>
 Total functional expenses	<u>10,345,301</u>	<u>-</u>	<u>10,345,301</u>
 Changes and payments for annuity obligations	705	-	705
Loss on sale of asset	<u>1,163</u>	<u>-</u>	<u>1,163</u>
 Total expenses	<u>10,347,169</u>	<u>-</u>	<u>10,347,169</u>
 CHANGE IN NET ASSETS	(231,803)	738,665	506,862
 Net assets – beginning of year	<u>2,289,489</u>	<u>5,951,670</u>	<u>8,241,159</u>
 Net assets – end of year	<u>\$ 2,057,686</u>	<u>\$ 6,690,335</u>	<u>\$ 8,748,021</u>

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

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

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

YEAR ENDED DECEMBER 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Salaries	4,386,432	\$ 590,830	\$ 506,717	\$ 5,483,979
Payroll taxes	325,623	43,860	37,616	407,099
Other benefits	<u>460,468</u>	<u>62,023</u>	<u>53,192</u>	<u>575,683</u>
Total salaries and benefits	5,172,523	696,713	597,525	6,466,761
Automobile	83,303	11,221	9,623	104,147
Travel	137,880	18,572	15,927	172,379
Meals	194,430	26,189	22,460	243,079
Meetings	794,939	107,074	91,831	993,844
Rent and utilities	219,144	29,518	25,315	273,977
Telephone	66,092	8,902	7,635	82,629
Supplies	23,453	3,159	2,709	29,321
Materials	77,009	10,373	8,896	96,278
Administrative fees	666,836	-	-	666,836
Support agreements	63,779	8,591	7,368	79,738
Printing	77,154	10,392	8,913	96,459
Equipment	61,993	8,350	7,162	77,505
Data processing	37,277	5,021	4,306	46,604
Professional fees	226,853	30,556	26,205	283,614
Postage	37,751	5,085	4,361	47,197
Insurance	13,609	1,833	1,572	17,014
Depreciation	18,559	2,500	2,144	23,203
Other	<u>435,698</u>	<u>58,686</u>	<u>50,332</u>	<u>544,716</u>
Total functional expenses	<u>\$ 8,408,282</u>	<u>\$ 1,042,735</u>	<u>\$ 894,284</u>	<u>\$ 10,345,301</u>

CBMC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	General and Administrative	Fundraising	Total
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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 506,862	\$ 623,915
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	23,203	22,137
Gain on investments	598,062	(125,054)
Operating lease expense	4,036	-
Change in operating assets and liabilities:		
Promises to give, net	(400,000)	191,423
Accounts receivable, net	(10,325)	5,451
Inventories	13,907	-
Prepayments	3,318	2,047
Accounts payable and accrued expenses	15,028	(12,492)
Accrued salaries, benefits, and compensated absences	(38,625)	1,931
	<u>715,466</u>	<u>709,358</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested investment earnings	(150,518)	(167,467)
Purchases of investments	(16,659)	(2,486,150)
Proceeds from investments	-	1,868,295
Proceeds from sale of property	3,837	-
Loss on sale of property	1,163	-
Change in cash surrender value of life insurance policies	(1,186)	(1,142)
Purchases of property and equipment	(5,000)	(79,164)
	<u>(168,363)</u>	<u>(865,628)</u>
Net cash from investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	547,103	(156,270)
Cash and cash equivalents – beginning of year	<u>1,572,639</u>	<u>1,728,909</u>
Cash and cash equivalents – end of year	<u>\$ 2,119,742</u>	<u>\$ 1,572,639</u>

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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:

	2022	2021
Specific Purpose		
Revenues restricted for National Office	\$ 2,525,059	\$ 1,997,944
Revenues restricted for Local Offices	<u>4,165,276</u>	<u>3,953,726</u>
	<u>\$ 6,690,335</u>	<u>\$ 5,951,670</u>

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 AND 2021

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, 2019 through December 31, 2022, the years that remain subject to examination by major tax jurisdictions as of December 31, 2022.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,119,742
Promises to give, net	1,000,000
Accounts receivable, net	27,405
Inventories	-
Prepayments	21,500
Investments	<u>5,775,207</u>
Total financial assets	<u>8,943,854</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	6,690,335
Less net assets with purpose restrictions to be met in less than a year	<u>(6,690,335)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,943,854</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 87% 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, 2022 AND 2021

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, 2022 AND 2021

NOTE 4 – INVESTMENTS (Continued)

A summary of the inputs used to value CBMC's investments at December 31, 2022 and 2021, is as follows:

	Fair Value Measurements at Reporting Date Using	
	(Level 1)	
December 31, 2022		
Cash and cash equivalents	\$	226,995
Mutual funds		2,142,009
Equity investments		687,362
Exchange traded funds		1,015,139
Fixed income		1,613,594
Insurance annuity contracts		90,108
	\$	<u>5,775,207</u>
December 31, 2021		
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>

Investment (loss) income consists of the following:

	2022	2021
Interest and dividend income	\$ 150,518	\$ 167,467
Net realized and unrealized (loss) gain	<u>(598,057)</u>	<u>125,054</u>
	<u>\$ (447,539)</u>	<u>\$ 292,521</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Furniture, fixtures, and equipment	\$ 1,104,056	\$ 1,099,056
Leasehold improvements	25,292	25,292
Accumulated depreciation	<u>(981,070)</u>	<u>(957,867)</u>
	<u>\$ 148,278</u>	<u>\$ 166,481</u>

Depreciation expense was \$23,203 and \$22,137 for the years ended December 31, 2022 and 2021, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions through satisfying purpose restrictions. The transfer between net assets totaled \$6,944,502 and \$6,234,675 during the years ended December 31, 2022 and 2021.

As of December 31, 2022, there were \$6,690,335 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 \$223,337 and \$238,416 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 – OPERATING LEASES

Effective January 1, 2022, the Company adopted the new lease accounting guidance in ASU 2016-02, Leases (ASC Topic 842). The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 (a) a lease liability of \$590,335, which represents the present value of the remaining lease payments discounted using the risk free discount rate, and (b) a right-of-use asset of \$590,335.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 9 – OPERATING LEASES (Continued)

The Company leases its operating facilities and certain equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2026. The facilities leases may include one or more options to renew, with renewals that can extend the lease term for five years. The exercise of lease renewal options is at the sole discretion of the Company. The Company has elected not to record leases with an initial term of 12 months or less (short-term leases) and as such will recognize the lease payments on these short-term leases in profit or loss on a straight-line basis over the term of the lease.

The weighted average remaining lease term in years for the operating leases is two years and the weighted average discount rate for operating leases is 1.11%.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31:

2023	\$ 221,822
2024	148,399
2025	27,234
2026	<u>1,845</u>
Total undiscounted cash flows	399,300
Less present value discount	<u>(4,392)</u>
Total lease liability	<u>\$ 394,908</u>

Rent expense for the year ended December 31, 2022 and 2021 was \$271,408 and \$234,838, respectively.

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, 2022 or 2021.

During the years ended December 31, 2022 and 2021, CBMC received unrestricted contributions totaling \$296,280 and \$227,870, 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, 2022 and 2021, CBMC recognized revenue from one major donor that exceeded 10% of total revenue.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 12 – RECLASSIFICATIONS

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

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to December 31, 2022 through April 20, 2023 (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.