

CBMC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022



CERTIFIED PUBLIC ACCOUNTANTS

CBMC, INC.

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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 June 30, 2024, December 31, 2023 and 2022, and related statements of activities, functional expenses, and cash flows for the six month period ending June 30, 2024 and the years then ended December 31, 2023 and 2022 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 June 30, 2024, December 31, 2023 and 2022, and the results of their operations and their cash flows for the six month period ending June 30, 2024 and the years then ended December 31, 2023 and 2022 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
October 31, 2024

*Henderson Hutcherson
& McCullough, PLLC*

CBMC, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

ASSETS			
	2024	2023	2022
Cash and cash equivalents	\$ 764,942	\$ 1,890,455	\$ 2,119,742
Promises to give, net	250,000	-	1,000,000
Accounts receivable, net	28,494	3,575	27,405
Prepayments	21,500	21,500	21,500
Investments	7,088,328	7,028,027	5,775,207
Property and equipment, net	114,043	125,455	148,278
Cash surrender value of life insurance policies	31,306	31,306	30,084
Software, net	1,019,905	541,804	-
Right of use asset - operating	<u>71,954</u>	<u>173,022</u>	<u>390,872</u>
TOTAL ASSETS	<u>\$ 9,390,472</u>	<u>\$ 9,815,144</u>	<u>\$ 9,513,088</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 26,261	\$ 133,511	\$ 19,325
Accrued salaries, benefits, and compensated absences	336,762	333,817	347,185
Annuity obligations	3,649	3,649	3,649
Operating lease liability	<u>72,996</u>	<u>176,219</u>	<u>394,908</u>
Total liabilities	<u>439,668</u>	<u>647,196</u>	<u>765,067</u>
NET ASSETS			
Board restricted endowment	1,261,871	-	-
Without donor restrictions	2,322,661	2,747,989	2,057,686
With donor restrictions	<u>5,366,272</u>	<u>6,419,959</u>	<u>6,690,335</u>
Total net assets	<u>8,950,804</u>	<u>9,167,948</u>	<u>8,748,021</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,390,472</u>	<u>\$ 9,815,144</u>	<u>\$ 9,513,088</u>

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

CBMC, INC.

STATEMENT OF ACTIVITIES

SIX MONTH PERIOD ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 894,165	\$ 2,990,202	\$ 3,884,367
Sales	10,393	-	10,393
Interest and dividend income	150,208	-	150,208
Net realized and unrealized gains	68,083	-	68,083
Membership fees	-	601,700	601,700
Other revenues	22,797	-	22,797
Net assets released from restriction	<u>4,645,589</u>	<u>(4,645,589)</u>	<u>-</u>
 Total support and revenue	 <u>5,791,235</u>	 <u>(1,053,687)</u>	 <u>4,737,548</u>
 EXPENSES			
Functional expenses			
Program services	3,670,435	-	3,670,435
General and administrative	874,998	-	874,998
Fundraising	<u>409,259</u>	<u>-</u>	<u>409,259</u>
 Total functional expenses	 <u>4,954,692</u>	 <u>-</u>	 <u>4,954,692</u>
 CHANGE IN NET ASSETS	 836,543	 (1,053,687)	 (217,144)
 Net assets – beginning of year	 <u>2,747,989</u>	 <u>6,419,959</u>	 <u>9,167,948</u>
 Net assets – end of year	 <u>\$ 3,584,532</u>	 <u>\$ 5,366,272</u>	 <u>\$ 8,950,804</u>

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 3,148,548	\$ 5,579,781	\$ 8,728,329
Sales	24,224	-	24,224
Interest and dividend income	298,242	-	298,242
Net realized and unrealized gains	219,389	-	219,389
Membership fees	-	1,102,940	1,102,940
Other revenues	66,701	-	66,701
Net assets released from restriction	<u>6,953,097</u>	<u>(6,953,097)</u>	<u>-</u>
 Total support and revenue	 <u>10,710,201</u>	 <u>(270,376)</u>	 <u>10,439,825</u>
EXPENSES			
Functional expenses			
Program services	7,422,222	-	7,422,222
General and administrative	1,769,391	-	1,769,391
Fundraising	<u>827,580</u>	<u>-</u>	<u>827,580</u>
 Total functional expenses	 <u>10,019,193</u>	 <u>-</u>	 <u>10,019,193</u>
 Changes and payments for annuity obligations	 <u>705</u>	 <u>-</u>	 <u>705</u>
 Total expenses	 <u>10,019,898</u>	 <u>-</u>	 <u>10,019,898</u>
CHANGE IN NET ASSETS	690,303	(270,376)	419,927
 Net assets – beginning of year	 <u>2,057,686</u>	 <u>6,690,335</u>	 <u>8,748,021</u>
 Net assets – end of year	 <u>\$ 2,747,989</u>	 <u>\$ 6,419,959</u>	 <u>\$ 9,167,948</u>

CBMC, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,838,695	\$ 6,690,632	\$ 9,529,327
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	87,225	-	87,225
Net assets released from restriction	<u>6,944,502</u>	<u>(6,944,502)</u>	<u>-</u>
 Total support and revenue	 <u>9,448,539</u>	 <u>738,665</u>	 <u>10,187,204</u>
 EXPENSES			
Functional expenses			
Program services	7,741,455	-	7,741,455
General and administrative	1,042,735	-	1,042,735
Fundraising	<u>894,284</u>	<u>-</u>	<u>894,284</u>
 Total functional expenses	 <u>9,678,474</u>	 <u>-</u>	 <u>9,678,474</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>9,680,342</u>	 <u>-</u>	 <u>9,680,342</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 FUNCTIONAL EXPENSES

SIX MONTH PERIOD ENDED JUNE 30, 2024

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 2,081,679	\$ 496,253	\$ 232,110	\$ 2,810,042
Payroll taxes	162,001	38,620	18,063	218,684
Other benefits	131,988	31,465	14,716	178,169
Total salaries and benefits	2,375,668	566,338	264,889	3,206,895
Automobile	56,679	13,512	6,319	76,510
Travel	77,155	18,393	8,603	104,151
Meals	87,373	20,829	9,742	117,944
Meetings	410,586	97,880	45,781	554,247
Rent and utilities	97,532	23,251	10,875	131,658
Telephone	28,839	6,875	3,216	38,930
Supplies	7,430	1,771	829	10,030
Materials	21,008	5,008	2,343	28,359
Support agreements	19,713	4,699	2,198	26,610
Printing	30,992	7,388	3,456	41,836
Equipment	23,392	5,576	2,608	31,576
Data processing	24,960	5,950	2,783	33,693
Professional fees	104,913	25,010	11,698	141,621
Postage	13,660	3,257	1,523	18,440
Insurance	9,810	2,339	1,094	13,243
Depreciation	8,454	2,015	943	11,412
Amortization	21,587	5,146	2,407	29,140
Other	250,684	59,761	27,952	338,397
TOTAL FUNCTIONAL EXPENSES	\$ 3,670,435	\$ 874,998	\$ 409,259	\$ 4,954,692

CBMC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 4,260,519	\$ 1,015,669	\$ 475,052	\$ 5,751,240
Payroll taxes	323,901	77,215	36,116	437,232
Other benefits	353,235	84,208	39,386	476,829
Total salaries and benefits	4,937,655	1,177,092	550,554	6,665,301
Automobile	100,922	24,059	11,253	136,234
Travel	202,260	48,217	22,552	273,029
Meals	246,761	58,826	27,514	333,101
Meetings	654,275	155,973	72,952	883,200
Rent and utilities	260,449	62,089	29,040	351,578
Telephone	56,981	13,584	6,353	76,918
Supplies	17,923	4,273	1,998	24,194
Materials	45,956	10,955	5,124	62,035
Administrative fees	7	-	-	7
Support agreements	63,899	15,233	7,125	86,257
Printing	65,707	15,664	7,326	88,697
Equipment	43,432	10,354	4,843	58,629
Data processing	38,515	9,182	4,294	51,991
Professional fees	172,847	41,205	19,271	233,323
Postage	28,563	6,809	3,185	38,557
Insurance	13,388	3,192	1,492	18,072
Depreciation	16,907	4,031	1,885	22,823
Other	455,775	108,653	50,819	615,247
TOTAL FUNCTIONAL EXPENSES	\$ 7,422,222	\$ 1,769,391	\$ 827,580	\$ 10,019,193

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	83,305	11,221	9,623	104,149
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	7	-	-	7
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>544,715</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 7,741,455</u></u>	<u><u>\$ 1,042,735</u></u>	<u><u>\$ 894,284</u></u>	<u><u>\$ 9,678,473</u></u>

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

CBMC, INC.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024
AND THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (217,144)	\$ 419,927	\$ 506,862
Adjustment to reconcile change in net assets to net cash from operating activities:			
Depreciation	11,412	22,823	23,203
Amortization	29,141	-	-
(Gain) loss on investments	(68,084)	(219,389)	598,062
Operating lease expense	(2,155)	(839)	4,036
Loss on sale of property	-	-	1,163
Change in operating assets and liabilities:			
Promises to give, net	(250,000)	1,000,000	(400,000)
Accounts receivable, net	(24,919)	23,830	(10,325)
Inventories	-	-	13,907
Prepayments	-	-	3,318
Accounts payable and accrued expenses	(107,250)	114,186	15,028
Accrued salaries, benefits, and compensated absences	2,945	(13,368)	(38,625)
Net cash from operating activities	<u>(626,054)</u>	<u>1,347,170</u>	<u>716,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(507,242)	(541,804)	(5,000)
Reinvested investment earnings	(150,208)	(298,239)	(150,518)
Purchases of investments	(1,340,786)	(2,771,546)	(16,659)
Proceeds from investments	1,498,777	2,036,354	-
Proceeds from sale of property	-	-	3,837
Cash value of life insurance policies	-	(1,222)	(1,186)
Net cash from investing activities	<u>(499,459)</u>	<u>(1,576,457)</u>	<u>(169,526)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,125,513)</u>	<u>(229,287)</u>	<u>547,103</u>
Cash and cash equivalents – beginning of year	<u>1,890,455</u>	<u>2,119,742</u>	<u>1,572,639</u>
Cash and cash equivalents – end of year	<u>\$ 764,942</u>	<u>\$ 1,890,455</u>	<u>\$ 2,119,742</u>

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

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND 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:

	06/30/2024	12/31/2023	12/31/2022
Specific Purpose			
Revenues restricted for National Office	\$ 1,697,406	\$ 2,548,709	\$ 2,525,059
Revenues restricted for Local Offices	<u>3,668,866</u>	<u>3,871,250</u>	<u>4,165,276</u>
	<u>\$ 5,366,272</u>	<u>\$ 6,419,959</u>	<u>\$ 6,690,335</u>

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

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.

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were accounts receivables from group ticket sales, event rentals, etc. CBMC adopted the standard effective January 1, 2023. The impact of the adoption was not considered material and management expects to collect all of the related accounts receivable.

Accounts receivable were \$28,494, \$3,575, and \$27,405 as of June 30, 2024, December 31, 2023 and 2022, respectively.

Investments

Investments in marketable securities traded on a national securities exchange are stated at fair market value based on the last reported sales price on the valuation date. Other investments consist of insurance annuity contracts and certificates of deposit with original maturities of greater than three months, and are stated at cost, which approximates fair value. Net appreciation, or depreciation, in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments, is reported in the Statements of Activities.

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

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

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

CBMC follows ASC 606, Revenue from Contracts with Customers. ASC 606 outlines a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Revenues consisting of contributions and investment income are excluded from the scope of ASC 606. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and nature of any donor restrictions. Income from investments includes realized gains and losses from investments, unrealized gains and losses on investments, and interest/dividend income. Interest income is recorded on an accrual basis. The difference between fair value and cost of investments is recorded as unrealized appreciation (depreciation). Realized gains and losses are recorded when sold. Revenue from the services provided are recognized upon completion of the service provided.

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

Intangible Assets - Software

CBMC accounts for intangibles in accordance with the provisions of FASB ASC 350, *Intangibles – Goodwill and Other*. The carrying value of intangibles and the assigned useful lives are continually evaluated for appropriateness.

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.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 through June 30, 2024, the years that remain subject to examination by major tax jurisdictions as of June 30, 2024.

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 June 30, 2024:

Financial assets at year-end:	
Cash and cash equivalents	\$ 764,942
Promises to give, net	250,000
Accounts receivable, net	28,494
Prepayments	21,500
Investments	<u>7,088,328</u>
Total financial assets	<u>8,153,264</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	5,366,272
Less net assets with purpose restrictions to be met in less than a year	<u>(5,366,272)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,153,264</u>

(Continued)

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

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.

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

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 4 – INVESTMENTS (Continued)

A summary of the inputs used to value CBMC's investments as of June 30, 2024, December 31, 2023 and 2022, is as follows:

	Fair Value Measurements at Reporting Date Using (Level 1)
June 30, 2024	
Cash and cash equivalents	\$ 241,400
Mutual funds	2,524,983
Equity investments	405,620
Exchange traded funds	1,511,302
Fixed income	2,314,915
Insurance annuity contracts	90,108
	<u>\$ 7,088,328</u>
December 31, 2023	
Cash and cash equivalents	\$ 171,419
Mutual funds	2,468,460
Equity investments	482,779
Exchange traded funds	1,120,531
Fixed income	2,694,730
Insurance annuity contracts	90,108
	<u>\$ 7,028,027</u>
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>

Investment (loss) income consists of the following:

	2024	2023	2022
Interest and dividend income	\$ 150,208	\$ 298,242	\$ 150,518
Net realized and unrealized (loss) gain	<u>68,083</u>	<u>219,389</u>	<u>(598,057)</u>
	<u>\$ 218,291</u>	<u>\$ 517,631</u>	<u>\$ (447,539)</u>

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023	2022
Furniture, fixtures, and equipment	\$ 1,104,056	\$ 1,104,056	\$ 1,104,056
Leasehold improvements	25,292	25,292	25,292
Accumulated depreciation	<u>(1,015,305)</u>	<u>(1,003,893)</u>	<u>(981,070)</u>
	<u>\$ 114,043</u>	<u>\$ 125,455</u>	<u>\$ 148,278</u>

Depreciation expense was \$11,412 for the six month period ending June 30, 2024 and \$22,823, and \$23,203 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 – SOFTWARE

The Company capitalizes costs related to the development or acquisition of internal-use software in accordance with ASC 350-40, *Internal-Use Software*. Costs incurred during the preliminary project stage are expensed as incurred, while costs related to the application development stage, including external materials and services, employee payroll, and direct project-related expenses, are capitalized. Capitalized software is amortized on a straight-line basis over its estimated useful life of 3 years and is reviewed for impairment when events indicate that its carrying value may not be recoverable. The software was put into service on June 3, 2024.

Software	\$ 1,049,046
Accumulated amortization	<u>(29,141)</u>
Software, net	<u>\$ 1,019,905</u>

Estimated future amortization expense as of June 30:

2025	\$ 349,682
2026	349,682
2027	<u>320,541</u>
Total	<u>\$ 1,019,905</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended:

	06/30/2024	12/31/2023	12/31/2022
Specific Purpose			
Revenues restricted for National Office	\$ 1,697,406	\$ 2,548,709	\$ 2,525,059
Revenues restricted for Local Offices	<u>3,668,866</u>	<u>3,871,250</u>	<u>4,165,276</u>
	<u>\$ 5,366,272</u>	<u>\$ 6,419,959</u>	<u>\$ 6,690,335</u>

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions through satisfying purpose restrictions. The transfer between net assets totaled \$4,645,589 during the six month period ended June 30, 2024, and \$6,953,097 and \$6,944,502 during the years ended December 31, 2023 and 2022.

NOTE 9 – 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 10 – OPERATING LEASES

The Company follows guidance of ASC 842, *Leases*. The weighted average remaining lease term in years for the operating leases is 0.98 years and the weighted average discount rate for operating leases is 1.41%.

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

2025	\$ 58,911
2026	<u>14,613</u>
Total undiscounted cash flows	73,524
Less present value discount	<u>(528)</u>
Total lease liability	<u>\$ 72,996</u>

In addition to the monthly rent payments associated with operating leases, rent expense also includes short-term rentals used for prayer breakfasts and other program events. Rent expense for the six-month period ended June 30, 2024 was \$131,658. Rent expense for the years ended December 31, 2023 and 2022 was \$351,578 and \$273,977, respectively.

CBMC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024, DECEMBER 31, 2023 AND 2022

NOTE 11 – 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 six-month period ended June 30, 2024, and the years ended December 31, 2023 or 2022.

During the six-month period ended June 30, 2024, CBMC received unrestricted contributions totaling \$142,390 from members of the board of directors or members of management of CBMC. These amounts were \$296,792 and \$296,280 for the years ended December 31, 2023 and 2022, respectively.

NOTE 12 – 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 six-month period ended June 30, 2024, and the years ended December 31, 2023 and 2022, CBMC recognized revenue from one major donor that exceeded 10% of total revenue.

NOTE 13 – RECLASSIFICATIONS

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

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2024 (through October 31, 2024 the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements.

CBMC has renewed one of its operating facility leases noted in Note 10. This lease has been renewed with an expiration date of August 31, 2031. Management has not identified any other items requiring recognition or disclosure.