R.H. BOYD COMPANY

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2020

And Report of Independent Auditor

Cherry Bekaert LLP

CPAs & Advisors

R.H. BOYD COMPANY

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
R.H. Boyd Company
Nashville, Tennessee

We have audited the accompanying statement of financial position of R.H. Boyd Company (a nonprofit organization) (the "Organization') as of December 31, 2020.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of financial position that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial position. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial position, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement of financial position in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial position.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statement of financial position.

Opinion on the Statement of Financial Position

In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of R.H. Boyd Company as of December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Statement of Activities, Functional Expenses, and Cash Flows

Because we were not engaged to audit the statements of activities, functional expenses, and cash flows, we did not extend our auditing procedures to enable us to express an opinion on the statements of activities, functional expenses, and cash flows for the year ended December 31, 2020. Accordingly, we express no opinion on the statements of activities, functional expenses, and cash flows for the year ended December 31, 2020.

Cherry Bekaert LLP

Nashville, Tennessee
April 21, 2021

R.H. BOYD COMPANY
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 8,387,677
Restricted cash	221,249
Accounts receivable, net	453,292
Inventory	956,712
Investments	1,449,685
Due from related parties, net	12,862
Total Current Assets	11,481,477
Noncurrent Assets:	
Cash surrender value life insurance	427,510
Property and equipment, net	2,639,286
Investment in related party	797,681
Total Noncurrent Assets	3,864,477
Total Assets	$ 15,345,954
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 166,471
Accrued expenses	102,032
Total Current Liabilities	268,503
Noncurrent Liabilities:	
Deferred compensation	221,249
Total Liabilities	489,752
Net Assets:	
Without donor restrictions	14,856,202
Total Net Assets	14,856,202
Total Liabilities and Net Assets	$ 15,345,954

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

R.H. BOYD COMPANY
STATEMENT OF ACTIVITIES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2020

Revenues and Support:	
Product sales, net	$ 5,129,744
Contributions	10,507
Rental income	270,076
Interest income	104,315
Investment income	236,480
Total Revenues and Support	5,751,122
Expenses:	
Cost of sales	2,131,119
Salaries and benefits	483,463
Other expenses	2,344,192
Total Expenses	4,958,774
Change in net assets	792,348
Net assets, beginning of year	14,063,854
Net assets, end of year	$ 14,856,202

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

R.H. BOYD COMPANY

STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services Management And General	Total
Cost of Sales	$ 2,131,119	$ -	$ 2,131,119
Professional fees	514,514	596,352	1,110,866
Salaries and benefits	290,078	193,385	483,463
Contributions	-	344,599	344,599
Other	21,837	119,229	141,066
Repairs and maintenance	105,245	-	105,245
Marketing and publicity	100,057	-	100,057
Depreciation	98,197	-	98,197
Utilities	87,485	-	87,485
Property taxes	83,238	-	83,238
Information technology	79,190	-	79,190
Insurance	71,582	-	71,582
Fees, licenses, and dues	-	43,254	43,254
Equipment rental and leases	24,040	-	24,040
Office supplies	-	55,373	55,373
	$ 3,606,582	$ 1,352,192	$ 4,958,774

R.H. BOYD COMPANY
STATEMENT OF CASH FLOWS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Change in net assets	$ 792,348
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	98,197
Realized and unrealized gain on investments	(236,480)
Gain on cash surrender value life insurance	(23,900)
Bad debts	20,462
Changes in operating assets and liabilities:	
Account receivable, net	605,316
Inventory	(24,308)
Due from related parties, net	(1,253,167)
Accounts payable	83,130
Accrued expenses	4,378
Deferred compensation	(66,545)
Net cash flows from operating activities	(569)
Cash flows from investing activities:	
Purchases of property and equipment	(14,385)
Purchases of investments	(1,531,749)
Sales of investments	1,206,653
Net cash flows from investing activities	(339,481)
Decrease in cash, cash equivalents, and restricted cash	(340,050)
Cash, cash equivalents, and restricted cash, beginning of year	8,948,976
Cash, cash equivalents, and restricted cash, end of year	$ 8,608,926

Note 1—Nature of operations

Nature of Operations – R.H. Boyd Company (the "Organization") was chartered in August 1898 as a Tennessee nonprofit corporation. The Organization's mission is to establish, support, and maintain church undertakings and to print or purchase and disseminate by gift or sale religious literature. The Organization has a longstanding tradition of distributing biblically sound and culturally relevant Christian education resources, materials, and church supplies. Since its inception, the Organization has taken great pride in meeting the needs of all Christians, with a targeted focus on the needs of the African-American community.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation – In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization does not currently have any net assets with donor restrictions.

Contributions – In accordance with U.S. GAAP, nonprofit organizations, contributions, and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as increases in net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recognized when the specified donor conditions have been met.

Cash, Cash Equivalents, and Restricted Cash – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Restricted cash includes deposits to be used for the purpose of paying the Organization's deferred compensation liability. During the year ended December 31, 2020, the Organization maintained cash deposits that at times exceeded the federally insured limits. The Organization has not experienced any losses in such accounts.

Note 2—Summary of significant accounting policies (continued)

Accounts Receivable – Accounts receivable primarily represents amounts due from customers for product sales. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses related to existing receivables. The Organization determined the allowance based on its historical write off experience and management's judgement regarding the collectability of certain accounts. Account balances and related allowances are removed after management determines that the potential for recovery is considered remote. At December 31, 2020, the allowance for doubtful accounts was $13,478.

Inventory – Inventory, which consists only of finished goods, is stated at the lower of cost or net realizable value, with the cost determined by average cost. Reserves for inventory are based on management's estimate and are based on current inventory levels, historical usage, and product life cycle. As of December 31, 2020, no obsolescence reserve is currently recorded as the Organization conducted a full year-end physical inventory count and disposed of all identified obsolete inventory items prior to year-end. The Organization obtains the majority of its inventory from a couple of main distributors (one of which is an affiliated entity). Although the Organization believes alternative vendors could be found in a timely manner, any disruption of these services could potentially have an adverse impact on operating results.

Due from / Due to Related Parties – Due from / due to related parties includes amounts owed from or payable to affiliated entities (see Note 4).

Property and Equipment – Property and equipment is stated at costs less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to activities as incurred. Additions and betterments are capitalized. The cost of assets sold or otherwise disposed of, and the accumulated depreciation thereon, is eliminated from the property and reserve accounts. Estimated useful lives of major classes of property and equipment are as follows:

Building	39 years
Building improvements	20-25 years
Machinery and equipment	5 years
Furniture and fixtures	5 years

Deferred Compensation – Deferred compensation consists of compensation payable to a former executive and is based on an executed agreement.

Functional Expenses – The cost of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain salaries and wages have been allocated to program and supporting services based on time and effort estimates made by management.

Marketing and Publicity Costs – Marketing and publicity costs are generally expensed as incurred. These expenses totaled $100,057 during 2020.

Income Taxes – The Organization has qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to federal income tax. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Note 2—Summary of significant accounting policies (continued)

The Organization follows FASB ASC guidance concerning the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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 revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Hierarchy – The Organization utilizes a valuation technique to measure the fair value of assets and liabilities by using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

> *Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
>
> *Level 2* – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
>
> *Level 3* – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Impairment of and Disposal of Long-Lived Assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2020, no long-lived assets were impaired.

Statement of Cash Flows – The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

Cash and cash equivalents	$ 8,387,677
Restricted cash	221,249
Total cash, cash equivalents, and restricted cash	$ 8,608,926

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – On January 1, 2020, the Organization adopted FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606") using the modified retrospective approach. The Organization determined that there was no cumulative effect adjustment, as well as, no change in the timing and amount of revenue recognition as a result of the adopting of this ASC.

Under ASC 606, revenue for product sales and rental income is recognized using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, because the Organization has determined that the effect of applying the guidance to contracts within the scope of ASC 606 on the financial statements would not differ materially from applying the guidance to each individual contract or performance obligation. Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected in exchange for those goods or services.

Contract Balances – Net accounts receivable were $453,292 as of December 31, 2020. Accounts receivable are stated in the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of individual balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Based on the information available to management, the Organization believes the allowance for doubtful accounts of $13,478 is adequate at December 31, 2020. However, actual write-offs could exceed the recorded allowance for doubtful accounts.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Organization's revenue is from the sale of religious materials, and the contract performance obligation is generally satisfied at the time of shipment.

Payment Terms – The Organization's revenues do not include material amounts of variable consideration. The Organization's payment terms vary by the type of customer and the products offered. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds or warranties.

The following table presents revenue disaggregated by contract type. Revenue from contracts for the year ended December 31, 2020 are as follows:

Revenue from contracts with customers:	
Product sales, net	$ 5,129,744
Rental income	270,076
Total net revenue from contracts with customers	5,399,820
Other revenue and support:	
Contributions	10,507
Interest income	104,315
Investment income	236,480
Total other revenue and support	351,302
	$ 5,751,122

Note 2—Summary of significant accounting policies (continued)

Recently Issued Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 840*, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization year ending December 31, 2022. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Major Suppliers – For the year ended December 31, 2020, one supplier accounted for nearly all of the finished goods purchases. No accounts payable to the one supplier existed at December 31, 2020.

Subsequent Events – The Organization evaluated subsequent events through April 21, 2021, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 3—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2020:

Financial assets:	
Cash and cash equivalents	$ 8,387,677
Restricted cash	221,249
Accounts receivable, net	453,292
Investments	1,449,685
Due from related parties, net	12,862
Cash surrender value life insurance	427,510
Total financial assets	10,952,275
Less amounts not available to be used within one year:	
Restricted cash	(221,249)
Cash surrender value life insurance	(427,510)
Financial assets not available to be used within one year	(648,759)
Financial assets availble to meet cash needs for general expenditures within one year	$ 10,303,516

Note 4—Related Parties

The Organization is related to several other affiliated entities through common ownership. The following affiliated entities are related parties:

R.H. Boyd Publishing Corporation ("RHB") – is a corporate entity which accounts for the majority of the Organization's purchases and is paid an agreed upon management fee as well. The Organization also leases RHB space to conduct its operations. For the year ended December 31, 2020, the Organization was responsible for payments to RHB that totaled $2,830,162 (includes the Organization's purchases and management fees). In return, the Organization has received $186,130 in rent income for the use of its facility. As of December 31, 2020, the Organization was owed $34,290 from RHB. The Organization also holds a majority investment interest in RHB at a value of $797,681 as of December 31, 2020.

National Baptist Congress ("Congress") – is a non-profit agency that shares the same ownership as the Organization. Congress provides leading Christian education conference and fellowship gathering for all ages. This entity typically receives donations from the Organization from time to time in order to cover certain costs and fulfill its mission. As of December 31, 2020, the Organization owed $21,428 to Congress.

Note 5—Fair value measurements

The Organization's asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in valuation methodologies during 2020.

The valuation methodology used for assets measured at fair value was based upon independent third party pricing for all portfolio holdings. Independent third party pricing sources are used to price all held positions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

The following tables summarize the Organization's major categories of assets measured at fair value on a recurring basis on the statement of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2020.

	Level 1	Level 2	Level 3	Total
Closed End Funds and Exchange:				
Trade Products:	$ 876,712	$ -	$ -	$ 876,712
Mutual Funds	289,062	-	-	289,062
Fixed income	252,933	-	-	252,933
Commodities	30,978	-	-	30,978
Total assets at fair value	$ 1,449,685	$ -	$ -	$ 1,449,685

Note 5—Fair value measurements (continued)

The following schedule summarizes the investment returns for the years ended December 31:

Interest and dividends	$ 24,747
Realized and unrealized gain, net	211,733
Investment gain	$ 236,480

Note 6—Property and equipment, net

Property and equipment, net consists of the following at December 31, 2020:

Land	$ 1,475,360
Building	1,424,487
Building Improvements	721,804
Machinery and equipment	88,306
Furniture and fixtures	70,454
	3,780,411
Less accumulated depreciation	(1,141,125)
Net property and equipment	$ 2,639,286

Note 7—Leases

The Organization has entered into various operating leases for facility equipment, most of which are short term in nature with many being month to month. Total lease expense for the year ended December 31, 2020 was $24,040.

Note 8—Retirement plans

Effective January 1, 2000, the Organization established the R.H. Boyd Company 401(k) Plan (the “Plan”). Employees at least 18 years of age with at least three months of service are eligible to participate in the Plan. Participants may elect to defer a percentage of their pretax annual compensation, subject to certain discrimination tests prescribed by the Internal Revenue Code and other limitations specified in the Plan. The Organization will make a matching contribution equal to 25% of the employee’s elective deferrals up to 6% of their eligible earnings. Total expense related to the Plan for 2020 was $17,145.

Note 9—Uncertainty/COVID-19 pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (“COVID-19”) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally.

Note 9—Uncertainty/COVID-19 pandemic (continued)

While it is unknown how long these conditions will last and what the complete financial impact will be, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Organization's operations and are unable at this time to predict the continued impact that COVID-19 will have on their operations in the future due to numerous uncertainties.