

CENTURION MINISTRIES, INC.

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2014

CENTURION MINISTRIES, INC.

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> December 31, 2014 and 2013	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2014 with Summarized Information for 2013	3
<i>Statement of Functional Expenses,</i> Year ended December 31, 2014 with Summarized Information for 2013	4
<i>Statements of Cash Flows,</i> Years ended December 31, 2014 and 2013	5
<i>Notes to Financial Statements</i>	6

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
Centurion Ministries, Inc.
Princeton, New Jersey**

We have audited the accompanying financial statements of Centurion Ministries, Inc. which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centurion Ministries, Inc. as of December 31, 2014, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Centurion Ministries, Inc. 2013 financial statements and our report dated July 1, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
July 1, 2015**

CENTURION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 441,086	\$ 303,522
Investments, at value <i>(Note 2)</i>	2,711,337	2,685,537
Other assets	9,252	9,252
Office furniture and equipment (net of accumulated depreciation – \$110,457 in 2014 and \$102,404 in 2013)	<u>15,497</u>	<u>20,584</u>
Total assets	<u>\$ 3,177,172</u>	<u>\$ 3,018,895</u>
LIABILITIES		
Accrued expenses	\$ <u>6,581</u>	\$ <u>7,994</u>
NET ASSETS		
Unrestricted		
Operating	2,956,453	2,816,195
Board designated – funds functioning as endowment <i>(Note 3)</i>	<u>214,138</u>	<u>194,706</u>
Total net assets	<u>3,170,591</u>	<u>3,010,901</u>
Total liabilities and net assets	<u>\$ 3,177,172</u>	<u>\$ 3,018,895</u>

CENTURION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2014 With Summarized Information For 2013

	2014		2014 <u>Totals</u>	2013 <u>Totals</u>
	<u>Unrestricted</u>	<u>Board Designated Endowment</u>		
	<u>Operations</u>			
INCOME				
Contributions	\$ 1,579,941	\$ -	\$ 1,579,941	\$ 1,430,101
Special events (net of direct expenses of \$45,678 in 2014)	66,502	-	66,502	-
Investment income (net of fees of \$6,116 in 2014 and \$5,007 in 2013)	33,915	1,212	35,127	38,622
Realized and unrealized gains (losses)	<u>(7,504)</u>	<u>18,220</u>	<u>10,716</u>	<u>52,029</u>
Total income	<u>1,672,854</u>	<u>19,432</u>	<u>1,692,286</u>	<u>1,520,752</u>
EXPENSES				
Program	1,331,870	-	1,331,870	1,367,213
General administration	119,581	-	119,581	178,682
Fund-raising	<u>81,145</u>	<u>-</u>	<u>81,145</u>	<u>14,842</u>
Total expenses	<u>1,532,596</u>	<u>-</u>	<u>1,532,596</u>	<u>1,560,737</u>
Change in net assets	140,258	19,432	159,690	(39,985)
NET ASSETS				
Beginning of year	<u>2,816,195</u>	<u>194,706</u>	<u>3,010,901</u>	<u>3,050,886</u>
End of year	<u>\$ 2,956,453</u>	<u>\$ 214,138</u>	<u>\$ 3,170,591</u>	<u>\$ 3,010,901</u>

CENTURION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014 With Summarized Information For 2013

	<u>Program</u>	<u>General Administration</u>	<u>Fund- Raising</u>	<u>Totals</u>	
				<u>2014</u>	<u>2013</u>
Direct program services and professional fees	\$ 301,645	\$ -	\$ -	\$ 301,645	\$ 417,533
Salaries and benefits	625,088	71,333	63,920	760,341	645,288
Travel	126,096	-	-	126,096	137,735
Occupancy and utilities	109,500	6,083	6,083	121,666	123,487
Telephone	20,414	1,134	1,134	22,682	20,758
Postage	12,542	697	697	13,936	13,801
Printing	20,759	1,153	1,153	23,065	20,900
Office and supplies	89,085	31,816	6,363	127,264	149,488
Depreciation	7,247	403	403	8,053	6,866
Other	<u>19,494</u>	<u>6,962</u>	<u>1,392</u>	<u>27,848</u>	<u>24,881</u>
Totals	<u>\$ 1,331,870</u>	<u>\$ 119,581</u>	<u>\$ 81,145</u>	<u>\$ 1,532,596</u>	<u>\$ 1,560,737</u>

CENTURION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 1,685,649	\$ 1,419,996
Interest and dividends received	35,127	38,622
Cash paid to employees and suppliers	<u>(1,571,634)</u>	<u>(1,561,990)</u>
Net cash provided by (used for) operating activities	<u>149,142</u>	<u>(103,372)</u>
<i>Cash flows from investing activities</i>		
Purchase of fixed assets	(2,966)	(18,810)
Purchase of investments	(999,286)	(1,086,882)
Proceeds from sale of investments	<u>990,674</u>	<u>1,230,531</u>
Net cash provided by (used for) investing activities	<u>(11,578)</u>	<u>124,839</u>
Net increase in cash and cash equivalents	137,564	21,467
<i>Cash and cash equivalents</i>		
Beginning of year	<u>303,522</u>	<u>282,055</u>
End of year	<u>\$ 441,086</u>	<u>\$ 303,522</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 159,690	\$ (39,985)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	8,053	6,866
Realized/unrealized gain on long-term investments	(10,716)	(52,029)
Stock contributions	(6,472)	(10,105)
Change in:		
Prepaid expenses	-	(9,252)
Accrued expenses	<u>(1,413)</u>	<u>1,133</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 149,142</u>	<u>\$ (103,372)</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 And 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Centurion Ministries, Inc. (“*Centurion*”) was created to free and vindicate from prison those who are completely innocent of crimes for which they have been wrongly convicted and imprisoned for life.

Centurion is an organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has reviewed the tax positions for each of the open tax years (2011 – 2013) or expected to be taken in Centurion’s 2014 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 1, 2015, have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

Centurion occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH EQUIVALENTS

As of December 31, 2014 and 2013, cash equivalents consist of cash and money market funds and are stated at cost which approximates market value.

INVESTMENTS

Investments are carried at fair market value. Gain or loss on sale of investments is determined on the basis of average cost. Dividend and interest income is recorded as earned.

OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment are recorded at cost. Depreciation is provided on the modified accelerated cost recovery system and straight line basis over the estimated useful lives of the assets which are 7 years and 10 years for furniture and 5 years and 3 years for equipment.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Centurion's audited financial statements for the year ended December 31, 2013, from which the summarized information was derived.

(2) INVESTMENTS

Investments at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Bonds				
U.S. Government Agencies	\$ 8,635	\$ 8,560	\$ 48,083	\$ 48,436
Corporate	11,000	10,983	22,000	22,120
Certificates of Deposit	1,455,993	1,462,360	1,989,993	2,002,904
Common Stocks	128,923	212,984	116,449	191,865
Money Market Funds	603,209	603,209	5,646	5,646
Mutual Funds – Equity	<u>371,646</u>	<u>413,241</u>	<u>366,090</u>	<u>414,566</u>
	<u>\$ 2,579,406</u>	<u>\$ 2,711,337</u>	<u>\$ 2,548,261</u>	<u>\$ 2,685,537</u>

At December 31, 2014 and 2013, the portfolio of marketable securities had unrealized gains of \$131,931 and \$137,276, respectively.

Centurion utilizes various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

The summary of inputs used to value Centurion's assets that are carried at fair value as of December 31, 2014 and 2013 is as follows:

<u>Investments</u>	<u>2014</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stocks	\$ 212,984	\$ -	\$ -	\$ 212,984
Bonds				
U.S. Government Agencies	-	8,560	-	8,560
Corporate	-	10,983	-	10,983
Money Market Funds	603,209	-	-	603,209
Mutual Funds – Equity	413,241	-	-	413,241
Certificates of Deposit	-	1,462,360	-	1,462,360
	<u>\$ 1,229,434</u>	<u>\$ 1,481,903</u>	<u>\$ -</u>	<u>\$ 2,711,337</u>

<u>Investments</u>	<u>2013</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Common Stocks	\$ 191,865	\$ -	\$ -	\$ 191,865
Bonds				
U.S. Government Agencies	-	48,436	-	48,436
Corporate	-	22,120	-	22,120
Money Market Funds	5,646	-	-	5,646
Mutual Funds – Equity	414,566	-	-	414,566
Certificates of Deposit	-	2,002,904	-	2,002,904
	<u>\$ 612,077</u>	<u>\$ 2,073,460</u>	<u>\$ -</u>	<u>\$ 2,685,537</u>

(3) FUNDS FUNCTIONING AS ENDOWMENT FUNDS

During 2001, the Board of Directors designated \$100,000 of operating funds as *“Board Designated Funds Functioning as Endowment Funds.”* Although designated as Endowment Funds, these funds are unrestricted as defined by the accounting standards. The amount has been invested in Common Stocks and Money Market Funds. Market value as of December 31, 2014 and 2013 is \$214,138 and \$194,706, respectively.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

(4) LEASE COMMITMENTS

Centurion previously leased office space under a two year, non-cancelable lease agreement that expired September 15, 2013. Monthly lease payments ranged from approximately \$3,400 to \$3,700 during the lease. On February 18, 2013, Centurion entered into a new lease for additional space to commence upon the completion of certain landlord renovations. The commencement date was August 15, 2013 and the lease will expire seven years from the commencement date. The new lease is a gross lease including electric. Monthly lease payments including electric, will range from approximately \$10,000 to \$11,400 over the life of the lease. Centurion retains a fixed price option to renew the lease for three years upon its expiration. Rental expense for the years ended December 31, 2014 and 2013 was approximately \$121,500 and \$76,850, respectively.

Centurion also rents storage units on a month-to-month basis. Rental expense for the years ended December 31, 2014 and 2013 was approximately \$9,400 and \$7,800, respectively.

Centurion also leases various office equipment under non-cancelable leases expiring at different dates through 2018. Lease expense for the years ended December 31, 2014 and 2013 was approximately \$8,100 and \$7,900, respectively. Minimum lease payments under the operating leases are as follows:

	<u>Office Equipment</u>	<u>Office Facility</u>	<u>Total</u>
2015	\$ 8,100	\$ 124,300	\$ 132,400
2016	8,100	127,000	135,100
2017	6,500	129,800	136,300
2018	3,800	132,500	136,300
2019	-	135,300	135,300
Thereafter	<u>-</u>	<u>85,600</u>	<u>85,600</u>
	<u>\$ 26,500</u>	<u>\$ 734,500</u>	<u>\$ 761,000</u>

(5) DONATED SERVICES

Substantial legal services have been provided to the Organization in 2014 and 2013 for amounts (fees) that are significantly less than fair value. The value of these unbilled services is not susceptible to objective measurement or valuation and, therefore, is not reflected in the financial statements.

(6) PENSION PLAN

Centurion Ministries, Inc. sponsors a simple IRA pension plan. Centurion matches eligible employee contributions up to 3%. Pension expense for the years ended December 31, 2014 and 2013 was approximately \$12,700 and \$8,800, respectively.

