

CENTURION MINISTRIES, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2017

CENTURION MINISTRIES, INC.

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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, 2017, 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, 2017, 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. 2016 financial statements and our report dated August 17, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
August 7, 2018**

CENTURION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 294,437	\$ 253,348
Investments, at fair market value <i>(Note 2)</i>	1,138,921	1,698,656
Other assets	15,513	15,462
Office furniture and equipment (net of accumulated depreciation – \$133,247 in 2017 and \$126,260 in 2016)	<u>10,513</u>	<u>15,265</u>
Total assets	<u>\$ 1,459,384</u>	<u>\$ 1,982,731</u>
LIABILITIES		
Accrued expenses	<u>\$ 30,562</u>	<u>\$ 8,419</u>
NET ASSETS		
Unrestricted		
Operating	1,152,270	1,741,376
Board designated – funds functioning as endowment <i>(Note 3)</i>	<u>276,552</u>	<u>232,936</u>
Total net assets	<u>1,428,822</u>	<u>1,974,312</u>
Total liabilities and net assets	<u>\$ 1,459,384</u>	<u>\$ 1,982,731</u>

CENTURION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	2017		2017 <u>Totals</u>	2016 <u>Totals</u>
	Unrestricted	Board		
	<u>Operations</u>	<u>Designated Endowment</u>		
INCOME				
Contributions (<i>Note 7</i>)	\$ 765,602	\$ -	\$ 765,602	\$ 1,025,242
Special events	208,341	-	208,341	92,534
Investment income (loss) (net of fees of \$6,547 in 2017 and \$6,339 in 2016)	18,847	(732)	18,115	28,251
Realized and unrealized gains	<u>27,172</u>	<u>44,348</u>	<u>71,520</u>	<u>40,325</u>
Total income	<u>1,019,962</u>	<u>43,616</u>	<u>1,063,578</u>	<u>1,186,352</u>
EXPENSES				
Program	1,394,540	-	1,394,540	1,379,819
General administration	122,692	-	122,692	130,516
Fund-raising	<u>91,836</u>	<u>-</u>	<u>91,836</u>	<u>171,707</u>
Total expenses	<u>1,609,068</u>	<u>-</u>	<u>1,609,068</u>	<u>1,682,042</u>
Change in net assets	(589,106)	43,616	(545,490)	(495,690)
NET ASSETS				
Beginning of year	<u>1,741,376</u>	<u>232,936</u>	<u>1,974,312</u>	<u>2,470,002</u>
End of year	<u>\$ 1,152,270</u>	<u>\$ 276,552</u>	<u>\$ 1,428,822</u>	<u>\$ 1,974,312</u>

CENTURION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 With Summarized Information For 2016

	<u>Program</u>	<u>General Administration</u>	<u>Fund- Raising</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
Direct program services and professional fees	\$ 303,020	\$ -	\$ -	\$ 303,020	\$ 197,048
Salaries and benefits	725,151	71,491	57,690	854,332	850,582
Travel	73,878	-	-	73,878	114,468
Occupancy and utilities	126,792	7,044	7,044	140,880	139,858
Telephone	16,401	911	911	18,223	20,595
Postage	9,053	503	503	10,059	13,375
Printing	11,169	621	621	12,411	12,579
Office and supplies	66,288	23,675	4,735	94,698	128,849
Special events	9,707	1,387	16,641	27,735	140,661
Depreciation	6,289	349	349	6,987	7,297
Other	<u>46,792</u>	<u>16,711</u>	<u>3,342</u>	<u>66,845</u>	<u>56,730</u>
Totals	<u>\$ 1,394,540</u>	<u>\$ 122,692</u>	<u>\$ 91,836</u>	<u>\$ 1,609,068</u>	<u>\$ 1,682,042</u>

CENTURION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 968,569	\$ 1,112,625
Interest and dividends received, net of fees	18,115	28,251
Cash paid to employees and suppliers	<u>(1,579,989)</u>	<u>(1,688,830)</u>
Net cash used for operating activities	<u>(593,305)</u>	<u>(547,954)</u>
<i>Cash flows from investing activities</i>		
Purchase of fixed assets	(2,235)	(7,440)
Purchase of investments	(180,057)	(732,730)
Proceeds from sale of investments	<u>816,686</u>	<u>1,354,273</u>
Net cash provided by investing activities	<u>634,394</u>	<u>614,103</u>
Net increase in cash and cash equivalents	41,089	66,149
<i>Cash</i>		
Beginning of year	<u>253,348</u>	<u>187,199</u>
End of year	<u>\$ 294,437</u>	<u>\$ 253,348</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (545,490)	\$ (495,690)
<i>Adjustments to reconcile change in net assets to net cash used for operating activities</i>		
Depreciation	6,987	7,297
Realized/unrealized gain on long-term investments	(71,520)	(40,325)
Other assets	(51)	(6,210)
Stock contributions	(5,374)	(5,151)
Change in:		
Accrued expenses	<u>22,143</u>	<u>(7,875)</u>
Net cash used for operating activities	<u>\$ (593,305)</u>	<u>\$ (547,954)</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

(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 (2014 – 2016) or expected to be taken in Centurion's 2017 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.

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.

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.

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, 2016, from which the summarized information was derived.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(2) INVESTMENTS

Investments at December 31, 2017 and 2016 consisted of the following:

	2017		2016	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Bonds				
U.S. Government Agencies	\$ 120,419	\$ 120,191	\$ 162,913	\$ 162,830
Certificates of Deposit	368,926	368,021	811,926	811,085
Common Stock	167,652	265,741	153,900	227,358
Exchange-Traded and Closed-End Funds	150,083	200,408	144,742	167,338
Money Market Funds	45,603	45,603	12,551	12,551
Mutual Funds – Fixed Income	<u>142,810</u>	<u>138,957</u>	<u>322,678</u>	<u>317,494</u>
	<u>\$ 995,493</u>	<u>\$ 1,138,921</u>	<u>\$ 1,608,710</u>	<u>\$ 1,698,656</u>

At December 31, 2017 and 2016, the portfolio of marketable securities had unrealized gains of \$143,428 and \$89,946, 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, 2017 And 2016

The summary of inputs used to value Centurion's assets that are carried at fair market value as of December 31, 2017 and 2016 is as follows:

<u>Investments</u>	2017			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Bonds				
U.S. Government Agencies	\$ -	\$ 120,191	\$ -	\$ 120,191
Exchange-Traded and Closed-End Funds	200,408	-	-	200,408
Money Market Funds	45,603	-	-	45,603
Common Stock	265,741	-	-	265,741
Mutual Funds – Fixed Income	138,957	-	-	138,957
Certificates of Deposit	-	<u>368,021</u>	-	<u>368,021</u>
	<u>\$ 650,709</u>	<u>\$ 488,212</u>	<u>\$ -</u>	<u>\$ 1,138,921</u>

<u>Investments</u>	2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Bonds				
U.S. Government Agencies	\$ -	\$ 162,830	\$ -	\$ 162,830
Exchange-Traded and Closed-End Funds	167,338	-	-	167,338
Money Market Funds	12,551	-	-	12,551
Common Stock	227,358	-	-	227,358
Mutual Funds – Fixed Income	317,494	-	-	317,494
Certificates of Deposit	-	<u>811,085</u>	-	<u>811,085</u>
	<u>\$ 724,741</u>	<u>\$ 973,915</u>	<u>\$ -</u>	<u>\$ 1,698,656</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 Stock and Money Market Funds. The market value of the Endowment Funds as of December 31, 2017 and 2016 is \$276,552 and \$232,936, respectively.

(4) LEASE COMMITMENTS

In 2013, Centurion entered into a new lease for office space. The commencement date was August 15, 2013 and the lease will expire seven years from the commencement date. The 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, 2017 and 2016 was approximately \$125,000 and \$124,000, respectively.

Centurion also rents storage units on a month-to-month basis. Rental expense for the years ended December 31, 2017 and 2016 was approximately \$16,000 and \$15,000, respectively.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

Centurion also leases various office equipment under non-cancelable leases expiring at different dates through 2021. Lease expense for the years ended December 31, 2017 and 2016 was approximately \$6,300 and \$7,700, respectively. Minimum lease payments under the operating leases are as follows:

	<u>Office Equipment</u>	<u>Office Facility</u>	<u>Total</u>
2018	\$ 4,700	\$ 132,500	\$ 137,200
2019	4,700	135,300	140,000
2020	4,700	85,600	90,300
2021	<u>400</u>	<u>-</u>	<u>400</u>
	<u>\$ 14,500</u>	<u>\$ 353,400</u>	<u>\$ 367,900</u>

(5) VOLUNTARY AND DONATED SERVICES

Centurion relies on a group of approximately 30 volunteers to assist with furthering the mission of the organization. The value of these non-paid workers is not reflected in the financial statements. Some legal services have been provided to Centurion in 2017 and 2016 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 sponsors a simple IRA pension plan. Centurion matches eligible employee contributions up to 3%. Pension expense for the years ended December 31, 2017 and 2016 was approximately \$9,600 and \$11,600, respectively.

(7) SUBSEQUENT EVENTS

Subsequent to year end, Centurion received two large bequests. Centurion was named as a 5% residual beneficiary in an estate having gross assets exceeding \$20 million. In April 2018, Centurion received a partial distribution in an amount of approximately \$497,000 and it is anticipated that the balance of the distribution amounting to approximately \$432,000 will be paid later in 2018. Additionally, Centurion received notice that it was named as a beneficiary in another estate. As part of this estate, Centurion received \$1 million in full and final payment of the decedent's bequest in June 2018.

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, August 7, 2018, have been evaluated in the preparation of the financial statements and management has determined no further adjustment or disclosure to the financial statements is necessary other than as noted above.