

CENTURION MINISTRIES, INC.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2018

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, 2018, 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, 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Centurion Ministries, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Centurion Ministries, Inc. 2017 financial statements and our report dated August 7, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
July 11, 2019

CENTURION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 415,684	\$ 294,437
Investments, at fair market value (<i>Note 2</i>)	2,313,644	1,138,921
Other assets	20,550	15,513
Office furniture and equipment (net of accumulated depreciation – \$138,695 in 2018 and \$133,247 in 2017)	<u>7,468</u>	<u>10,513</u>
Total assets	<u>\$ 2,757,346</u>	<u>\$ 1,459,384</u>
LIABILITIES		
Accrued expenses	<u>\$ 22,913</u>	<u>\$ 30,562</u>
NET ASSETS		
Without Donor Restrictions		
Operating	2,483,194	1,152,270
Board designated – funds functioning as endowment funds (<i>Note 3</i>)	<u>251,239</u>	<u>276,552</u>
Total net assets	<u>2,734,433</u>	<u>1,428,822</u>
Total liabilities and net assets	<u>\$ 2,757,346</u>	<u>\$ 1,459,384</u>

CENTURION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018 With Summarized Information For 2017

	2018			2017 Totals
	Without Donor Restrictions	Board	2018	
	Operating	Designated Endowment	Totals	
INCOME				
Contributions (<i>Note 7</i>)	\$ 2,842,867	\$ -	\$ 2,842,867	\$ 765,602
Special events	210,087	-	210,087	208,341
Investment income (net of fees of \$6,524 in 2018 and \$6,547 in 2017)	21,776	247	22,023	18,115
Realized and unrealized gains (losses)	<u>(22,849)</u>	<u>(25,560)</u>	<u>(48,409)</u>	<u>71,520</u>
Total income	<u>3,051,881</u>	<u>(25,313)</u>	<u>3,026,568</u>	<u>1,063,578</u>
EXPENSES				
Program	1,447,966	-	1,447,966	1,394,540
General administration	127,428	-	127,428	122,692
Fund-raising	<u>145,563</u>	<u>-</u>	<u>145,563</u>	<u>91,836</u>
Total expenses	<u>1,720,957</u>	<u>-</u>	<u>1,720,957</u>	<u>1,609,068</u>
Change in net assets	1,330,924	(25,313)	1,305,611	(545,490)
NET ASSETS				
Beginning of year	<u>1,152,270</u>	<u>276,552</u>	<u>1,428,822</u>	<u>1,974,312</u>
End of year	<u>\$ 2,483,194</u>	<u>\$ 251,239</u>	<u>\$ 2,734,433</u>	<u>\$ 1,428,822</u>

CENTURION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018 With Summarized Information For 2017

	<u>Program</u>	<u>General Administration</u>	<u>Fund- Raising</u>	<u>Totals</u>	
				<u>2018</u>	<u>2017</u>
Direct program services and professional fees	\$ 250,988	\$ -	\$ -	\$ 250,988	\$ 303,020
Salaries and benefits	793,852	77,110	96,941	967,903	854,332
Travel	109,230	-	-	109,230	73,878
Occupancy and utilities	135,195	7,511	7,511	150,217	140,880
Telephone	13,691	761	761	15,213	18,223
Postage	8,956	498	498	9,952	10,059
Printing	5,348	297	297	5,942	12,411
Office and supplies	82,264	29,380	5,876	117,520	94,698
Special events	18,441	2,635	31,614	52,690	27,735
Depreciation	4,904	272	272	5,448	6,987
Other	<u>25,097</u>	<u>8,964</u>	<u>1,793</u>	<u>35,854</u>	<u>66,845</u>
Totals	<u>\$ 1,447,966</u>	<u>\$ 127,428</u>	<u>\$145,563</u>	<u>\$ 1,720,957</u>	<u>\$ 1,609,068</u>

CENTURION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 3,051,849	\$ 968,569
Interest and dividends received, net of fees	22,023	18,115
Cash paid to employees and suppliers	<u>(1,728,195)</u>	<u>(1,579,989)</u>
Net cash provided by (used for) operating activities	<u>1,345,677</u>	<u>(593,305)</u>
<i>Cash flows from investing activities</i>		
Purchase of fixed assets	(2,403)	(2,235)
Purchase of investments	(4,433,737)	(180,057)
Proceeds from sale of investments	<u>3,211,710</u>	<u>816,686</u>
Net cash provided by (used for) investing activities	<u>(1,224,430)</u>	<u>634,394</u>
Net increase in cash and cash equivalents	121,247	41,089
<i>Cash</i>		
Beginning of year	<u>294,437</u>	<u>253,348</u>
End of year	<u>\$ 415,684</u>	<u>\$ 294,437</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,305,611	\$ (545,490)
<i>Adjustments to reconcile change in net assets to net cash used for operating activities</i>		
Depreciation	5,448	6,987
Realized/unrealized (gain) loss on long-term investments	48,409	(71,520)
Other assets	(5,037)	(51)
Stock contributions	(1,105)	(5,374)
Change in:		
Accrued expenses	<u>(7,649)</u>	<u>22,143</u>
Net cash provided by (used for) operating activities	<u>\$ 1,345,677</u>	<u>\$ (593,305)</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 And 2017

(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 (2015 – 2017) or expected to be taken in Centurion’s 2018 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

BASIS OF PRESENTATION

Under generally accepted accounting principles (GAAP) for not-for-profit organizations, Centurion is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

Centurion reports assets whose use is not restricted by donors as net assets without donor restrictions.

Net Assets With Donor Restrictions

Centurion reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reported in the statement of activities as net assets released from restrictions.

Centurion has no net assets with donor restrictions as of December 31, 2018 and 2017.

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.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

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.

FUNCTIONAL ALLOCATION OF EXPENSES

The expenses for staff personnel, facilities and related costs incurred in the operations for Centurion are allocated to program, general administration, and fund-raising activities based on the level of effort in the respective categories.

RECLASSIFICATIONS

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation

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, 2017, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2018, Centurion adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

<u>Net Asset Classifications</u>	<u>Balance At December 31, 2017 As Previously Reported</u>	<u>Adjustments From ASU 2016-14</u>	<u>Balance At January 1, 2018 As Adjusted</u>
Unrestricted Net Assets	\$ 1,428,822	\$ (1,428,822)	\$ -
Temporarily Restricted	-	-	-
Without Donor Restriction	-	1,428,822	1,428,822
With Donor Restriction	-	-	-
Net assets previously presented	<u>\$ 1,428,822</u>	<u>\$ -</u>	<u>\$ 1,428,822</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. Centurion plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as an exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. Centurion plans to adopt the new ASU at the required implementation date.

(2) INVESTMENTS

Investments at December 31, 2018 and 2017 consisted of the following:

	2018		2017	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Bonds				
U.S. Government Agencies	\$ -	\$ -	\$ 120,419	\$ 120,191
Certificates of Deposit	1,798,000	1,799,361	368,926	368,021
Common Stock	183,011	239,240	167,652	265,741
Exchange-Traded and Closed-End Funds	170,466	179,364	150,083	200,408
Money Market Funds	19,952	19,952	45,603	45,603
Mutual Funds – Fixed Income	<u>81,426</u>	<u>75,727</u>	<u>142,810</u>	<u>138,957</u>
	<u>\$2,252,855</u>	<u>\$ 2,313,644</u>	<u>\$ 995,493</u>	<u>\$ 1,138,921</u>

At December 31, 2018 and 2017, the portfolio of marketable securities had unrealized gains of \$60,789 and \$143,428, respectively.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

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.

The summary of inputs used to value Centurion’s assets that are carried at fair market value as of December 31, 2018 and 2017 is as follows:

<u>Investments</u>	<u>2018</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Exchange-Traded and Closed-End Funds	\$ 179,364	\$ -	\$ -	\$ 179,364
Money Market Funds	19,952	-	-	19,952
Common Stock	239,240	-	-	239,240
Mutual Funds – Fixed Income	75,727	-	-	75,727
Certificates of Deposit	-	1,799,361	-	1,799,361
	<u>\$ 514,283</u>	<u>\$ 1,799,361</u>	<u>\$ -</u>	<u>\$ 2,313,644</u>

<u>Investments</u>	<u>2017</u>			<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	-	368,021	-	368,021
	<u>\$ 650,709</u>	<u>\$ 488,212</u>	<u>\$ -</u>	<u>\$ 1,138,921</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

(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, 2018 and 2017 is \$251,239 and \$276,552, 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, 2018 and 2017 was approximately \$133,000 and \$125,000, respectively.

Centurion also rents storage units on a month-to-month basis. Rental expense for the years ended December 31, 2018 and 2017 was approximately \$17,000 and \$16,000, respectively.

Centurion also leases various office equipment under non-cancelable leases expiring at different dates through 2023. Lease expense for the years ended December 31, 2018 and 2017 was approximately \$5,200 and \$6,300, respectively. Minimum lease payments under the operating leases are as follows:

	<u>Office Equipment</u>	<u>Office Facility</u>	<u>Total</u>
2019	\$ 5,900	\$ 135,300	\$ 141,200
2020	5,900	85,600	91,500
2021	1,600	-	1,600
2022	1,200	-	1,200
2023	<u>700</u>	<u>-</u>	<u>700</u>
	<u>\$ 15,300</u>	<u>\$ 220,900</u>	<u>\$ 236,200</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 2018 and 2017 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, 2018 and 2017 was approximately \$14,100 and \$9,600, respectively.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

(7) CONTRIBUTIONS

In 2018, contributions included \$1,897,000 from two large bequests where Centurion was named as a beneficiary in the related estates.

(8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects Centurion's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal Board designations:

Financial Assets	<u>2018</u>
Cash and cash equivalents	\$ 415,684
Investments	<u>2,313,644</u>
Total financial assets	2,729,328
Less:	
Board designated endowment funds	<u>(251,239)</u>
Financial assets available to meet current obligations	<u>\$ 2,478,089</u>

As part of Centurion's liquidity-management plan, it structures its financial assets to be available as its obligations come due. Centurion has Board designated endowment funds in the amount noted above, which could be made available, if necessary with Board approval.

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 11, 2019, 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.