

CENTURION MINISTRIES, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2019

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, 2019, 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, 2019, 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. 2018 financial statements and our report dated July 11, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Philadelphia, Pennsylvania
September 10, 2020

CENTURION MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 428,163	\$ 415,684
Investments, at fair market value (<i>Note 2</i>)	1,870,695	2,313,644
Other assets	20,527	20,550
Office furniture and equipment (net of accumulated depreciation – \$143,870 in 2019 and \$138,695 in 2018)	<u>12,555</u>	<u>7,468</u>
Total assets	<u>\$ 2,331,940</u>	<u>\$ 2,757,346</u>
 LIABILITIES		
Accrued expenses	<u>\$ 43,940</u>	<u>\$ 22,913</u>
Total liabilities	<u>43,940</u>	<u>22,913</u>
 NET ASSETS		
Without Donor Restrictions		
Operating	1,907,516	2,483,194
Board designated – funds functioning as endowment funds (<i>Note 3</i>)	<u>380,484</u>	<u>251,239</u>
Total net assets	<u>2,288,000</u>	<u>2,734,433</u>
Total liabilities and net assets	<u>\$ 2,331,940</u>	<u>\$ 2,757,346</u>

CENTURION MINISTRIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019 With Summarized Information For 2018

	2019			
	<u>Without Donor Restrictions</u>			
		Board	2019	2018
	<u>Operating</u>	<u>Designated Endowment</u>	<u>Totals</u>	<u>Totals</u>
INCOME				
Contributions (<i>Note 7</i>)	\$ 1,001,180	\$ -	\$ 1,001,180	\$ 2,842,867
Special events	344,109	-	344,109	210,087
Investment income (net of fees of \$7,482 in 2019 and \$6,524 in 2018)	43,293	2,548	45,841	22,023
Realized and unrealized gains (losses)	<u>44,514</u>	<u>64,941</u>	<u>109,455</u>	<u>(48,409)</u>
Total income	<u>1,433,096</u>	<u>67,489</u>	<u>1,500,585</u>	<u>3,026,568</u>
EXPENSES				
Program	1,523,218	-	1,523,218	1,447,966
General administration	170,420	-	170,420	127,428
Fund-raising	<u>253,380</u>	<u>-</u>	<u>253,380</u>	<u>145,563</u>
Total expenses	<u>1,947,018</u>	<u>-</u>	<u>1,947,018</u>	<u>1,720,957</u>
Change in net assets before other changes	(513,922)	67,489	(446,433)	1,305,611
Other Changes				
Transfers	<u>(61,756)</u>	<u>61,756</u>	<u>-</u>	<u>-</u>
Change in net assets	(575,678)	129,245	(446,433)	-
NET ASSETS				
Beginning of year	<u>2,483,194</u>	<u>251,239</u>	<u>2,734,433</u>	<u>1,428,822</u>
End of year	<u>\$ 1,907,516</u>	<u>\$ 380,484</u>	<u>\$ 2,288,000</u>	<u>\$ 2,734,433</u>

CENTURION MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 With Summarized Information For 2018

	<u>Program</u>	<u>General Administration</u>	<u>Fund- Raising</u>	<u>Totals</u>	
				<u>2019</u>	<u>2018</u>
Direct program services and professional fees	\$ 197,236	\$ -	\$ -	\$ 197,236	\$ 250,988
Salaries and benefits	881,865	102,665	132,062	1,116,592	967,903
Travel	78,364	-	-	78,364	109,230
Occupancy and utilities	133,611	7,422	7,423	148,456	150,217
Telephone	13,396	744	744	14,884	15,213
Postage	6,330	352	352	7,034	9,952
Printing	8,164	454	454	9,072	5,942
Office and supplies	87,524	31,258	6,252	125,034	117,520
Special events	59,547	8,507	102,082	170,136	52,690
Depreciation	4,657	259	259	5,175	5,448
Other	<u>52,524</u>	<u>18,759</u>	<u>3,752</u>	<u>75,035</u>	<u>35,854</u>
Totals	<u>\$ 1,523,218</u>	<u>\$ 170,420</u>	<u>\$ 253,380</u>	<u>\$ 1,947,018</u>	<u>\$ 1,720,957</u>

CENTURION MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 1,345,286	\$ 3,051,849
Interest and dividends received, net of fees	45,841	22,023
Cash paid to employees and suppliers	<u>(1,920,793)</u>	<u>(1,728,195)</u>
Net cash provided by (used for) operating activities	<u>(529,666)</u>	<u>1,345,677</u>
<i>Cash flows from investing activities</i>		
Purchase of fixed assets	(10,262)	(2,403)
Purchase of investments	(2,456,752)	(4,433,737)
Proceeds from sale of investments	<u>3,009,159</u>	<u>3,211,710</u>
Net cash provided by (used for) investing activities	<u>542,145</u>	<u>(1,224,430)</u>
Net increase in cash and cash equivalents	12,479	121,247
<i>Cash</i>		
Beginning of year	<u>415,684</u>	<u>294,437</u>
End of year	<u>\$ 428,163</u>	<u>\$ 415,684</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
Change in net assets	\$ (446,433)	\$ 1,305,611
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	5,175	5,448
Realized/unrealized (gain) loss on long-term investments	(109,455)	48,409
Stock contributions	(3)	(1,105)
Change in:		
Other assets	23	(5,037)
Accrued expenses	<u>21,027</u>	<u>(7,649)</u>
Net cash provided by (used for) operating activities	<u>\$ (529,666)</u>	<u>\$ 1,345,677</u>

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

(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 (2016 – 2018) or expected to be taken in Centurion's 2019 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, 2019 and 2018.

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, 2019 And 2018

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.

CONTRIBUTIONS

Contributions including cash, securities and unconditional promises to give are recognized as revenue at fair value when received or pledged. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unless its use is limited by time or donor-imposed restriction, contribution revenue is recorded as increases in net assets without donor restrictions

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.

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, 2018, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS

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 exchanges (reciprocal transactions) and determining whether a transaction is conditional. This ASU was adopted by Centurion for the year ended December 31, 2019 and did not have a material effect on the statements of financial position or results of operations.

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, 2022. 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.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(2) INVESTMENTS

Investments at December 31, 2019 and 2018 consisted of the following:

	2019		2018	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of Deposit	\$1,142,000	\$1,145,516	\$1,798,000	\$ 1,799,361
Common Stock	242,746	368,166	183,011	239,240
Exchange-Traded and Closed-End Funds	214,788	260,827	170,466	179,364
Money Market Funds	18,200	18,200	19,952	19,952
Mutual Funds – Fixed Income	<u>81,427</u>	<u>77,986</u>	<u>81,426</u>	<u>75,727</u>
	<u>\$1,699,161</u>	<u>\$1,870,695</u>	<u>\$2,252,855</u>	<u>\$ 2,313,644</u>

At December 31, 2019 and 2018, the portfolio of marketable securities had unrealized gains of \$171,534 and \$60,789, 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 methodologies 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, 2019 And 2018

The summary of inputs used to value Centurion's assets that are carried at fair market value as of December 31, 2019 and 2018 is as follows:

<u>Investments</u>	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-Traded and Closed-End Funds	\$ 260,827	\$ -	\$ -	\$ 260,827
Money Market Funds	18,200	-	-	18,200
Common Stock	368,166	-	-	368,166
Mutual Funds – Fixed Income	77,986	-	-	77,986
Certificates of Deposit	-	<u>1,145,516</u>	-	<u>1,145,516</u>
	<u>\$ 725,179</u>	<u>\$1,145,516</u>	<u>\$ -</u>	<u>\$ 1,870,695</u>

<u>Investments</u>	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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	-	<u>1,799,361</u>	-	<u>1,799,361</u>
	<u>\$ 514,283</u>	<u>\$1,799,361</u>	<u>\$ -</u>	<u>\$ 2,313,644</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, 2019 and 2018 is \$380,484 and \$251,239, respectively.

(4) LEASE COMMITMENTS

In 2013, Centurion entered into a lease for office space for a term of seven years, expiring in August 2020. In October 2019, Centurion executed an extension to the current lease to commence upon expiration of the current lease and continuing until July 2025. Monthly lease payments including utilities, will range from approximately \$13,900 to \$14,300 over the life of the lease. Rental expense for the years ended December 31, 2019 and 2018 was approximately \$135,300 and \$133,000, respectively.

Centurion rents additional storage units on a month-to-month basis. Rental expense was approximately \$18,000 for the years ended December 31, 2019 and 2018, respectively.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

Centurion leases various office equipment under non-cancelable leases expiring in 2023. Lease expense for the years ended December 31, 2019 and 2018 was approximately \$1,200 and \$5,200, respectively.

Minimum lease payments under the operating leases are as follows:

	<u>Office Equipment</u>	<u>Office Facility</u>	<u>Total</u>
2020	\$ 1,200	\$ 155,000	\$ 156,200
2021	1,200	166,500	167,700
2022	1,200	167,400	168,600
2023	700	168,800	169,500
2024	-	169,800	169,800
Thereafter	<u>-</u>	<u>99,800</u>	<u>99,800</u>
	<u>\$ 4,300</u>	<u>\$ 927,300</u>	<u>\$ 931,600</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 2019 and 2018 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, 2019 and 2018 was approximately \$16,500 and \$14,100, respectively.

(7) CONTRIBUTIONS

In 2018, contributions included \$1,897,000 from two large bequests where Centurion was named as a beneficiary in the related estates. There were no such bequests received by Centurion in 2019.

CENTURION MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects Centurion's financial assets as of December 31, 2019 and 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:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 428,163	\$ 415,684
Investments	<u>1,870,695</u>	<u>2,313,644</u>
Total financial assets	2,298,858	2,729,328
Less:		
Board designated endowment funds	<u>(380,484)</u>	<u>(251,239)</u>
Financial assets available to meet current obligations	<u>\$1,918,374</u>	<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 statements of financial position date through the date that the financial statements were available for issuance, September 10, 2020, have been evaluated in the preparation of the financial statements. In March 2020, it was increasingly evident that the outbreak of the novel strain of coronavirus (COVID-19) was beginning to disrupt global economic activity. By way of federal, state, and local authority mandates, there were significant constraints on and/or required closures of businesses. The ultimate impact on Centurion's operations is not reasonably estimable at this time.

On April 26, 2020, Centurion received loan proceeds in the amount of \$194,372 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. Centurion has used the loan proceeds for eligible purposes and has not reduced the salaries or the number of employees.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months, and a maturity date of April 26, 2022. Centurion intends to use the proceeds for purposes consistent with the PPP. While Centurion currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be guaranteed that Centurion will be eligible for forgiveness of the loan, in whole or in part.