

AMEN PROPERTIES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2014 and 2013

(With Report of Independent Certified Public Accountant Thereon)



Wayne M. Manning
Certified Public Accountant

WAYNE M. MANNING

CERTIFIED PUBLIC ACCOUNTANT

Report of Independent Certified Public Accountant

The Board of Directors
AMEN Properties, Inc. and Subsidiaries
Richardson, Texas

We have audited the accompanying consolidated financial statements of AMEN Properties, Inc. (a Delaware Corporation) and Subsidiaries (collectively referred to as the "Company") which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity and cash flows for the years 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMEN Properties, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Wayne M. Manning, CPA

September 1, 2015

Texas Society of Certified Public Accountants

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AMEN Properties, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,425,933	$ 764,664
Trade accounts receivable, net of allowance	299,395	1,193,293
Other current assets	83,553	27,494
Total current assets	5,808,881	1,985,451
Marketable Securities (available for sale), at fair value	1,659,790	730,448
Property and Equipment, Net of Accumulated Depreciation	8,640	12,144
Oil and Gas Investment in SFF Group	135,201	180,434
Oil and Gas Royalty and Working Interests	5,645,115	5,733,700
Investment in Real Estate	649,980	2,632,495
Long-Term Investments	-	23,942
Deposits and other assets	36,709	54,662
Total assets	$ 13,944,316	11,353,276
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 187,400	$ 451,396
Accrued liabilities	250,750	530,197
Total current liabilities	438,150	981,593
Long-Term Obligations, Less Current Maturities	-	-
Commitments and Contingencies	-	-
Equity		
Stockholders' Equity:		
Common Stock, $.01 par value, 20,000,000 shares authorized 53,146 and 51,333 shares issued and outstanding at December 31, 2014 and 2013, respectively	531	513
Treasury Stock, at cost	(150,724)	(143,865)
Additional Paid in Capital	54,942,016	53,856,900
Accumulated Deficit	(41,088,016)	(44,295,966)
Accumulated Other Comprehensive Income	(228,618)	19,553
Total Stockholders' equity	13,475,189	9,437,135
Noncontrolling Interest	30,977	934,548
Total Equity	13,506,166	10,371,683
Total liabilities and stockholders' equity	$ 13,944,316	$ 11,353,276

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

AMEN Properties, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
OPERATING REVENUE		
Oil and Gas Revenue	$ 2,926,009	$ 2,995,164
Total operating revenue	2,926,009	2,995,164
OPERATING EXPENSE		
Oil and Gas Operations	1,209,667	1,261,523
General and Administrative	866,980	583,228
Depreciation, Amortization and Depletion	1,173,551	1,134,247
Corporate Tithing	-	287
Total Operating Expenses	3,250,198	2,979,285
INCOME FROM OPERATIONS	(324,189)	15,879
OTHER INCOME (EXPENSE)		
Interest Income	965	142
Dividend Income	54,255	36,870
Income from Real Estate Investment	312,494	351,613
Income from SFF Group Investment	1,360,884	1,494,346
Loss Due to Impairment of Asset	(23,941)	-
Other Income	6,255,096	692,295
Total Other Income (Expense)	7,959,753	2,575,266
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	7,635,564	2,591,145
Franchise and income taxes	(43,187)	(43,210)
INCOME FROM CONTINUING OPERATIONS	7,592,377	2,547,935
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-
NET INCOME	7,592,377	2,547,935
Less: Net Income Attributable to the Noncontrolling Interest	(1,008,373)	(289,616)
NET INCOME APPLICABLE TO COMMON STOCKHOLDERS	$ 6,584,004	$ 2,258,319

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

AMEN Properties, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
For the Years Ended December 31, 2014 and 2013

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest	Total Equity
Balance, December 31, 2012	51,333	513	(126,245)	53,856,900	(43,261,162)	(174,625)	849,151	11,144,532
Other transactions	-	-	-	-	(289,616)	-	375,013	85,397
Common stock dividends	-	-	-	-	(3,293,123)	-	-	(3,293,123)
Purchase of treasury stock	-	-	(17,620)	-	-	-	-	(17,620)
Other comprehensive income	-	-	-	-	-	194,178	-	194,178
Net income (loss)	-	-	-	-	2,547,935	-	(289,616)	2,258,319
Total comprehensive income	-	-	-	-	2,547,935	194,178	(289,616)	2,452,497
Balance, December 31, 2013	51,333	$ 513	$ (143,865)	$ 53,856,900	$ (44,295,966)	$ 19,553	$ 934,548	$ 10,371,683
Other transactions	1,813	18	143,865	1,085,116	(1,008,373)	-	104,802	325,428
Common stock dividends	-	-	-	-	(3,376,054)	-	-	(3,376,054)
Purchase of treasury stock	-	-	(150,724)	-	-	-	-	(150,724)
Other comprehensive income	-	-	-	-	-	(248,171)	-	(248,171)
Net income (loss)	-	-	-	-	7,592,377	-	(1,008,373)	6,584,004
Total comprehensive income	-	-	-	-	7,592,377	(248,171)	(1,008,373)	6,335,833
Balance, December 31, 2014	53,146	$ 531	$ (150,724)	$ 54,942,016	$ (41,088,016)	$ (228,618)	$ 30,977	$ 13,506,166

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

AMEN Properties, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Income from Continuing Operations	$ 7,592,377	$ 2,547,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and depletion	1,173,551	1,134,245
Equity income from real estate investment	(312,494)	(351,613)
Equity Income from SFF investment	(1,360,884)	(1,494,346)
Change in operating assets and liabilities:		
(Increase)/decrease in trade accounts receivable	893,898	(847,950)
Decrease/(increase) in other assets	(38,106)	36,666
Increase/(decrease) in accounts payable and accrued liabilities	(316,172)	226,151
Cash Flows from Continuing Operations	7,632,170	1,251,088
Cash Flows from Discontinued Operations	-	-
Net cash provided by operating activities	7,632,170	1,251,088
Cash flows from investing activities:		
(Purchases)/sales of property and equipment, net	1,682	(5,410)
(Purchases)/sales of real estate	2,239,909	-
Development of oil and gas interests	-	(425,344)
Purchases of oil and gas interests	(1,039,712)	-
(Purchases)/sales of marketable securities, net	(1,177,513)	(481,920)
Distributions to noncontrolling interests	(1,911,944)	(204,219)
Distributions from investment in real estate	35,610	1,562,389
Distributions from SFF Group	1,406,117	1,500,000
Net cash (used by)/provided by investing activities	(445,851)	1,945,496
Cash flows from financing activities:		
Common stock dividends	(3,603,325)	(3,065,852)
Issuance of common stock	1,085,134	-
Purchase of treasury stock	(6,859)	(17,620)
Net cash used in financing activities	(2,525,050)	(3,083,472)
Net increase in cash and cash equivalents	4,661,269	113,112
Cash and cash equivalents at beginning of year	764,664	651,552
Cash and cash equivalents at end of year	$ 5,425,933	$ 764,664
Non-cash Financing and Investing Activities:		
Unrealized Gain/(Loss) on Marketable Securities	$ 248,171	$ 194,178

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

NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Organization*

Company Background

- The Company was originally incorporated as DIDAX, Inc., in January 1997
- Until December 2002, the Company operated under the name Crosswalk.com; its primary businesses were operation of the Christian web portal *crosswalk.com*™ and a direct mail advertising service.
- During the last quarter of 2002, the Company sold substantially all of its assets with the exception of the Company's accumulated Net Operating Loss ("NOL") and changed its name to AMEN Properties, Inc.
- A revised business plan was approved by the shareholders in 2002, and called for the Company to grow via the selective acquisition of cash-generating assets in three categories:
    - Commercial real estate in secondary stagnant markets
    - Commercial real estate in out of favor growth markets
    - Oil and gas royalties

During the time the Company operated as Crosswalk.com, it generated a Net Operating Loss in excess of $30 million. Provisions in the United States Federal Tax Code dictate that a significant ownership change (in excess of 50% in a three-year period) would eliminate the Company's ability to use the NOL to offset its Federal Income Tax liability. It is the Company's intention to preserve its NOL, which requires funding our growth without access to many traditional sources of capital which would result in a significant change in ownership.

Company Organization

In initiating the 2002 business plan, the Company, in October 2002, formed the following entities:

- NEMA Properties LLC ("NEMA"), a Nevada limited liability company 100% owned by AMEN
- AMEN Delaware LP ("Delaware"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner
- AMEN Minerals LP ("Minerals"), a Delaware limited partnership, owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner.

On July 30, 2004, the Company formed W Power and Light LP ("W Power"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner. On May 18, 2006, the Company acquired 100% of Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. (collectively "Priority Power") effective April 1, 2006. Priority Power was owned 1% by AMEN, as the sole general partner, and 99% by NEMA, as the sole limited Partner.

Corporate Reorganization

On December 17, 2007, the Company approved a corporate reorganization (the "Reorganization") effective January 1, 2008. As part of the Reorganization, the Delaware Partnership, the Minerals Partnership, the PPM Partnership, and the W Power Partnership were each converted from limited partnerships into limited liability companies with AMEN owning 100% of the shares and as the sole managing member of each entity. The converted entities are:

- AMEN Delaware, LLC, ("Delaware")
- AMEN Minerals, LLC, ("Minerals")
- NEMA Properties, LLC , ("NEMA")
- Priority Power Management, LLC ("Priority Power")
- W Power and Light, LLC, ("W Power")

On May 31, 2008, as part of the Reorganization, NEMA was converted from a Nevada Limited Liability company to a Texas Limited Liability company.

As used herein, the terms "Company" and "AMEN" and references to "we" and "our" refer to all of AMEN Properties, Inc., NEMA, Delaware, Minerals, and W Power and Priority Power unless the context otherwise requires.

On September 28th, 2009, the Company approved a reorganization plan effective January 1, 2010 whereby Delaware, Minerals and NEMA were dissolved and the assets and liabilities of each entity were conveyed to Amen Properties, Inc.

Status of 2002 Business Plan

The Company's first act in implementing the 2002 business plan was the acquisition of a 64.9% limited partnership interest in TCTB Partners, Ltd. ("TCTB"), a real estate investment partnership which owned two commercial office properties in Midland, Texas (collectively referred to as "the Properties"). Effective January 1, 2004, the Company acquired an additional 6.4% limited partnership interest in TCTB giving the Company a 71.3% interest.

Effective September 27, 2006, the Company entered into an agreement to contemporaneously distribute TCTB's assets to the limited partners and sell 75% of their undivided interest in the Properties to an unaffiliated third party. TCTB continues to hold record title to the remaining undivided 25% interest in the Properties beneficially owned by the Partners of TCTB ("Selling Partners"), including the Company's 18.0% ownership in the Properties. After the sale, TCTB, the Selling Partners and the Buyers, as all of the owners of the Properties, entered into a Management Agreement with TCTB Management Group, LLC ("Management") dated September 29, 2006 relating to the management of the Properties. The owners of Management are the Selling Partners (including the Company) and the Buyers in the same percentages as their proportionate ownership of the Properties. Mr. Jon Morgan, President and CEO of the Company, is the managing member of Management.

Due to the Company's inability to find viable real estate investment opportunities in secondary and out-of-favor markets, the decision was made to revise the business plan and focus on other opportunities for growth. The distribution and sale of a majority of TCTB's assets resulted in the Company maintaining a relatively small investment in Real Estate and deemphasizing that market as a source of growth. In December 2014, the Company sold its interest in the Midland office buildings. It's only remaining real estate asset is an 18% interest in a parking lot in downtown Midland ("the Superblock").

One of the original components of the 2002 Business Plan was to leverage the expertise of the Company's management in the acquisition of oil and gas royalties. In December 2007, the Company acquired a one third interest in SFF Royalty, LLC ("SFF Royalty") and SFF Production, LLC ("SFF Production"), (collectively "SFF Group"). In December 2008, the Company increased its ownership of SFF Production to approximately 79% for an additional investment of $6.9 million. In December 2014, the Company purchased the remaining shares of SFF Production for a total purchase price of $1.3 million and now owns 100%. Through its ownership in these entities, the Company participates in the income generated from oil and gas royalties and working interests in over 1,200 properties in several states.

Expansion into Electricity

A new opportunity was created when the Texas Legislature adopted the Texas Electric Choice Plan, which effectively deregulated the electricity marketplace in the State of Texas, the largest electricity market in the United States. The Company formed a new subsidiary, W Power, to serve the Texas market as a retail electricity provider ("REP"). In September 2004 the Public Utility Commission of Texas ("PUCT") awarded W Power a license to begin commercial REP operations in Texas and in November 2004 W Power received its certification from the Electric Reliability Council of Texas ("ERCOT"). As a REP, W Power sells electricity and provides the related billing, customer service, collection and remittance services to residential, commercial, and industrial customers. W Power offers its customers low electricity rates, flexible payment and pricing choices, simple terms and responsive customer service. The Texas regulatory structure and legislation permits independent REPs (companies unaffiliated with an incumbent utility in a particular geographic area), such as W Power, to procure and sell electricity at unregulated prices and pay the local transmission and distribution utilities a regulated tariff rate for delivering electricity to the customers.

On June 25, 2008, the Company approved a plan to discontinue the operations of W Power. Management recommended this plan to the Board based on significant credit requirements imposed on REP's by the State of Texas and adverse changes in the business climate of the Texas retail electricity market. The Company settled W Power's existing supply contracts and transferred its customers and their contracts to another retail electricity provider.

Deregulation of the Texas electricity market also created opportunities for companies to provide energy management and consulting services to commercial customers. In 2006, the Company acquired Priority Power, one of the leading electricity aggregation, brokering and consulting firms in the State of Texas. Priority provides services to its customers in the areas of load aggregation, natural gas and electricity procurement, energy risk management, and energy consulting in both regulated and deregulated domestic markets. In October of 2010, the Company sold Priority Power to its management team.

2. *Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its majority-owned/controlled subsidiaries and affiliates. Inter-company balances and transactions have been eliminated.

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

3. *Cash and Cash Equivalents*

The Company considers cash on hand, cash on deposit in banks, money market mutual funds and highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent.

4. *Marketable Investments*

The Company invests in U.S. government bonds and treasury notes, municipal bonds, certificates of deposit, corporate bonds and other securities. Investments with original maturities greater than three months but less than twelve months from the balance sheet date are short-term investments. Those investments with original maturities greater than twelve months from the balance sheet date are long-term investments.

The Company's marketable securities are classified as available-for-sale as of the balance sheet date, and are reported at fair value with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses and permanent declines in value, if any, on available-for-sale investments are reported in other income or expense as incurred.

5. *Fair Value of Financial Instruments*

Generally accepted accounting principles require disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheet. Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The fair value estimates of financial instruments are not necessarily indicative of the amounts we might pay or receive in actual market transactions. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2014.

6. *Accounts Receivable*

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for doubtful accounts.

7. *Depreciation, Amortization and Depletion*

Property and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from three to 10 years. Royalty acquisitions are stated at cost. Depletion is determined using the units-of-production method based on the estimated oil and gas reserves.

8. Impairment of Long-Lived Assets

Generally accepted accounting principles specify circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected cash flows, the asset's carrying value must be written down to fair value. The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles by monitoring and evaluating changes in circumstances that may indicate that the carrying amount of the asset may not be recoverable. Examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed include but are not limited to the following: a significant decrease in the market value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and/or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.

The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairments are present, the Company evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and nondiscounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value.

The Company impaired approximately $24,000 of investments in 2014.

9. Investment in Real Estate and SFF Group

The Company's determination of the appropriate accounting method with respect to investments in limited partnerships, limited liability companies and other subsidiaries is based on control. For general partner interests, the Company is presumed to control (and therefore consolidate) the entity, unless the other limited partners have substantive rights that overcome this presumption of control. These substantive rights allow the limited partners to participate in significant decisions made in the ordinary course of the entity's business. The Company accounts for its non-controlling general partner investments in these entities under the equity method. This treatment also applies to the Company's managing member interests in limited liability companies.

The Company's determination of the appropriate accounting method for all other investments in subsidiaries is based on the amount of influence the Company has (including our ownership interest) in the underlying entity. Those other investments where the Company has the ability to exercise significant influence (but not control) over operating and financial policies of such subsidiaries (including certain subsidiaries where the Company has less than 20% ownership) are accounted for using the equity method. The Company eliminates transactions with such equity method subsidiaries to the extent of the ownership in such subsidiaries. Accordingly, the Company's share of the earnings or losses of these equity method subsidiaries is included in net earnings. All of the Company's remaining investments are carried at cost. Under either the equity or cost method, impairment losses are recognized upon evidence of other-than-temporary losses of value.

The Company's investment in real estate (see Note D) and SFF Royalty, LLC (see Note E) is recorded at cost, adjusted for its equity share of earnings, using the equity method of accounting, and cash contributions and distributions.

10. Income and Franchise Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. For the periods ended December 31, 2014 and 2013, no income tax expense has been incurred for Federal income taxes due to the utilization of the Company's net operating losses.

11. Corporate Tithing

The Company shall, to the extent permitted by law, expend from the revenues of the Company such sums as are deemed prudent by the Board of Directors to support, encourage, or sustain persons or entities which in the judgment of the Board of Directors are expected to make significant efforts to propagate the Gospel of Jesus Christ in any manner not in conflict with the Statement of Faith. Such expenditures may be made without regard to the tax status or nonprofit status of the recipient. It is expected that the expenditures paid out under the provisions of this policy shall approximate ten percent (10%) of the amount that would otherwise be the net profits of the Company for the accounting period.

12. Management Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from such estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the recognition of revenues, the estimate of the allowance for doubtful accounts, the estimate of asset impairments and the determination of depreciation and amortization expense.

13. Income Per Share

Income per share is computed based on the weighted average common shares and common stock equivalents outstanding during each period.

14. Environmental

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Costs are expensed when they relate to an existing condition caused by past operations and will not contribute to current or future revenue generation. Liabilities related to environmental assessments and/or remedial efforts are accrued when property or services are provided or can be reasonably estimated.

15. Subsequent Events

The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements. The Company is not aware of any reportable subsequent events.

16. Recently Issued Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 modifies the criteria for disposals to qualify as discontinued operations and expands related disclosures. This guidance is effective for annual and interim reporting periods beginning after December 15, 2014. Adoption of this amendment is not expected to have a material effect on our financial position or results of operations.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which requires entities to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss, or tax credit carryforward if certain criteria are met. ASU 2013-11 is effective for annual and interim reporting periods beginning after December 15, 2013. The Company will apply all changes prospectively and does not expect the adoption of this amendment to have a material impact on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income: Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income," which requires preparers to report, in one place, information about reclassifications out of accumulated other comprehensive income (AOCI). The ASU also requires companies to report changes in AOCI balances. The guidance in ASU 2013-02 is effective for annual and interim periods beginning after December 15, 2012. The Company does not expect the adoption of this amendment to impact its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which requires companies to present net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. In addition, ASU 2011-05 eliminates the option for companies to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In December 2011, the FASB issued ASU 2011-12, "Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in ASU 2011-05," which deferred the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. The Company does not expect the adoption of this amendment to impact its consolidated financial statements.

In January 2010, the FASB issued ASC Update 2010-06, "Fair Value Measurements and Disclosures" that requires additional disclosures surrounding transfers in and out of Levels 1 and 2, inputs and valuation techniques used to value Level 2 and 3 measurements, and push down of previously prescribed fair value disclosures to each class of asset and liability for Levels 1, 2, and 3. This new authoritative guidance is effective for interim and annual reporting periods beginning after December 15, 2009. The Company will apply the new authoritative guidance in 2010. ASC Update 2010-06 also requires that purchases, sales, issuances, and settlements for Level 3 measurements be disclosed. This portion of the new authoritative guidance is effective for interim and annual reporting periods beginning after December 15, 2010. The Company applied this new authoritative guidance in the Company's 2011 financial statements. The adoption of ASC Update 2010-06 did not have a material impact on the Company's financial statements.

Management does not believe these new standards will have a material impact on its financial statements.

17. Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year's presentation.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at several financial institutions, which at times may exceed federally insured limits. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of the following at December 31, 2014 and 2013:

	2014	2013
Furniture, fixtures and equipment	$ 12,230	$ 23,647
Less: accumulated depreciation	(3,590)	(11,503)
	$ 8,640	$ 12,144

NOTE D – INVESTMENT IN REAL ESTATE

The Company owned approximately 18% of HPQ Acquisition, LLC, ("HPG") a real estate company that owns commercial properties located in Midland, Texas. During December 2014, the HPG ownership group completed the sale of its office buildings in downtown Midland. In exchange for its 18% ownership stake, Amen received proceeds of $3.6 million after the retirement of associated debt and recognized a gain of $1.3 million in connection with the sale.

As of December 31, 2014, the Company's only remaining real estate asset is its 18% interest in a parking lot in downtown Midland (the "Superblock").

NOTE E – OIL AND GAS ROYALTY AND WORKING INTERESTS

The Company owns oil and gas royalty and working interests in a number of states. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Oil and gas revenue is generally received one to two months following the month of production and the Company uses estimates to accrue.

SFF Interests

On December 17, 2007, the Company invested $7.6 million in SFF Royalty, LLC ("SFF Royalty") and $2.4 million in SFF Production ("SFF Production") in exchange for a one-third ownership interest in each entity. Also on December 17, 2007, SFF Royalty and SFF Production acquired the following properties from Santa Fe Energy Trust (the "Trust") and Devon Energy Production Company, LP ("Devon"):

	Acquired from the Trust		Acquired from Devon		
Acquiring Entity	Description	Purchase Amount	Description	Purchase Amount	Total Purchase
SFF Royalty	Net profits interests in royalty interests owned by Devon	$ 21,077,688	Royalty interests subject to Trust's net profits interests	$ 2,254,662	$ 23,332,350
SFF Production	Net profits interests in working interests owned by Devon	6,072,125	Working interests subject to Trust's net profits interests	649,531	6,721,656
Totals		$ 27,149,813		$ 2,904,193	$ 30,054,006

In December 2008, the Company increased its ownership of SFF Production to approximately 79% for an additional investment of $6.9 million. In December 2014, the Company purchased the remaining shares of SFF Production for a total purchase price of $1.3 million and now owns 100% of that entity. The financial position and results of SFF Production are now consolidated with the Company's.

The Company's equity in SFF Royalty, LLC consists of the following at December 31, 2014 and 2013:

	2014	2013
Investment in SFF Royalty	$ 180,434	$ 186,088
Capital Distributions	(1,406,117)	(1,500,000)
Equity in Earnings	1,360,884	1,494,346
	$ 135,201	$ 180,434

The Company's investment and equity earnings results for 2014 and 2013 are based on the results of SFF Royalty, LLC. SFF Royalty, LLC reported the following consolidated financial information at December 31, 2014 and 2013:

	2014	2013
Total Assets	$ 612,216	$ 881,215
Total Liabilities	149,816	126,874
Net Income	4,083,060	4,480,765

NOTE F – ACCRUED LIABILITIES

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

	2014	2013
Accrued oil and gas operating expenses	$ 192,962	$ 192,962
Dividends payable	-	227,271
Accrued corporate tithing	57,811	109,987
Other	(23)	(23)
	$ 250,750	$ 530,197

NOTE G – INCOME TAXES

There is no income tax expense or benefit to report for the years ended December 31, 2014 and 2013. A reconciliation of income taxes at the statutory rate to the Company's effective rate is as follows for the years ended December 31:

	2014	2013
Tax at the statutory federal rate of 34% on income before taxes	$ 2,581,408	866,298
Utilization of net operating loss	(2,581,408)	(866,298)
Income taxes	$ -	-

The main components of the net non-current deferred tax asset (liability) are as follows at December 31, 2014 and 2013:

	2014	2013
Net operating loss carry-forward	6,956,578	8,433,048
Valuation allowance	(6,956,578)	(8,433,048)
Net non-current deferred tax assets	-	-

NOTE H – RELATED PARTY TRANSACTIONS

Preferred Dividends

Certain current and former directors and affiliated parties own shares of the Company's Preferred Stock as shown in the table below as of September 30, 2011:

	Preferred D		Preferred E	
Related Party	**Face Value**	**Quarterly Dividend**	**Face Value**	**Quarterly Dividend**
Eric Oliver	$ 1,643,759	$ 34,930	$ 941,875	$ 23,547
Jon Morgan	-	-	596,501	14,913
Bruce Edgington	61,300	1,303	-	-
Jess Correll	-	-	2,619,335	65,483
Affiliates	183,900	3,908	1,272,536	31,814
Totals	$ 1,888,959	$ 40,141	$ 5,430,247	$ 135,757

Conversion of Preferred E

As discussed in Note J, the Company's Preferred E stock was converted into common stock on December 15, 2011. Certain of the Company's current and former directors and affiliates participated in this conversion.

Redemption of Preferred D

As discussed in Note J, the Company's Preferred D stock was redeemed on September 30, 2011. Certain of the Company's current and former directors and affiliates participated in this redemption.

Purchase of Oil & Gas Working Interests

On June 4, 2010, the Company entered into working interest participation agreements with Anthem Oil & Gas. Jon Morgan, one of the Company's directors, is the President and co-owner of Anthem. The Company sold its interests in these wells in 2011.

Purchase of Note Receivable

The Company purchased a portion of a loan from First Southern National Bank. One of the Company's former directors, Jess Correll, is founder and Chairman of the Board for First Southern Bancorp, Inc., parent company of First Southern National Bank. The Company's ownership in the loan was subsequently assigned to UGLIC, an affiliate of FSNB, in redemption of the Preferred D shares owned by UGLIC.

Minority Interest in SFF Production, LLC

As discussed in Note E, during December 2014, the Company acquired the minority interests in SFF Production, LLC for a purchase price of $1.3 million and now controls 100% of that entity. Eric Oliver, the Company's Board Chairman, owned or controlled 3.5% of SFF Production and sold his interests to the Company for a total purchase price of $245,000. Mr. Oliver received 408 shares of Amen common stock as payment for his interests.

NOTE I – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

NOTE J – STOCKHOLDERS' EQUITY

Series D Preferred Stock

The Company issued 429,100 shares of Class D Preferred Stock on December 17, 2007 for total proceeds of $4,291,000 to finance the Company's investment in SFF Royalty and SFF Production. Below is a summary of the significant characteristics of the Preferred D:

- Pays a coupon of 8.5% annually.
- Has limited voting rights.
- Is not convertible into common stock.
- Is redeemable upon demand by the Company.

Certain of the Company's Directors purchased Preferred D Stock as described in Note H. A portion of the Preferred D shares were redeemed on April 28, 2011. The remainder of the Preferred D shares were redeemed on September 30, 2011.

Series E Preferred Stock

As described in Note E, on December 31, 2008, the Company financed the purchase of additional membership interests in SFF Production, LLC totaling 45.8% via the issuance of 549,406 shares of Series E Preferred Stock for total proceeds of $5,494,060. Below is a summary of the significant characteristics of the Preferred E:

- Pays a coupon of 10% annually.
- Is convertible at a conversion price of $6/share into 915,677 shares of Amen Common Stock and has proportionate voting rights.
- Has a minimum holding period of three years during which time the Company cannot redeem.

Certain Directors of the Company were issued Preferred E Stock. The Series E Preferred Stock was converted into 9,157 shares of common stock on December 15, 2011.

Treasury Stock

The Company has purchased 473 shares under the Company's stock repurchase program. These shares are being held by the Company as treasury stock and are reflected on the balance sheet at cost.

As discussed in Note E, during December 2014, the Company acquired additional interests in SFF Production, LLC for a total purchase price of $1.3 million. In connection with this transaction, the Company transferred 222 shares of treasury stock to the sellers. Additionally, the Company has purchased 257 shares under the Company's stock repurchase program. These shares are being held by the Company as treasury stock and are reflected on the balance sheet at cost.

Common Dividend

During 2014, the Company's Board of Directors declared a quarterly dividends as follows:

Declared Date	Payment Date	Per Share Amount
March 28, 2014	April 4, 2014	$18.00
June 23, 2014	June 30, 2014	$15.00
September 23, 2014	September 30, 2014	$13.00
December 23, 2014	December 30, 2014	$20.00

Common Stock Issuance

As discussed in Note E, during December 2014, the Company acquired additional interests in SFF Production, LLC for a total purchase price of $1.3 million. The Company issued 1,813 shares of common stock to the sellers (in addition to the 222 shares of treasury stock discussed above) in connection with this transaction.

NOTE K – STOCK OPTION PLAN

Since the inception of the Company, various options have been granted by the Board of Directors to founders, directors, employees, consultants and ministry partners. In February 1997, the Company authorized 671 additional shares of common stock to underlie additional options reserved for key employees and for future compensation to members of the Board of Directors. The Board of Directors also adopted and the Stockholders approved, the 1997 Stock Option Plan ("1997 Plan"), which provides for the granting of either qualified or non-qualified options to purchase an aggregate of up to 5,145 shares of common stock, inclusive of the 671 shares mentioned above, and any and all options or warrants granted in prior years by the Company. As of December 31, 2014, all options available under the 1997 Plan have been granted: 751 options were exercised, and no options remain outstanding.

The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors in April 1998, with approved amendment in May 2000. The 1998 Plan gives the Company the authority to issue 300,000 options to purchase AMEN common stock. If any stock options granted under the 1998 Plan terminate, expire or are canceled, new stock options may thereafter be granted covering such shares. In addition, any shares purchased under the 1998 Plan subsequently repurchased by the Company, if management elects, pursuant to the terms hereof may again be granted under the 1998 Plan. The shares issued upon exercise of stock options under the 1998 Plan may, in whole or in part, be either authorized but unissued shares, or issued shares reacquired by the Company. As of December 31, 2014, 240 options have been exercised and 697 options are outstanding and are fully vested and range in price from $198 to $4,550.

The table below summarizes the stock option activity for the period ended December 31, 2014:

Options Outstanding	Options Outstanding	Weighted Average Price
Outstanding December 31, 2012	798	$ 576
Options exercised	-	-
Options forfeited	(101)	198
Options issued	-	-
Outstanding December 31, 2013	697	$ 631
Options exercised	-	-
Options forfeited	-	-
Options issued	-	-
Outstanding December 31, 2014	697	631

At December 31, 2014, the 697 outstanding options are fully vested and exercisable. They range in price from $198 to $4,550 and have a weighted average contractual maturity of 2.1 years.