

CONSOLIDATED FINANCIAL STATEMENTS

**WATERFRONT RESCUE MISSION, INC.
AND AFFILIATED ORGANIZATIONS**

DECEMBER 31, 2021

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**BROWN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waterfront Rescue Mission, Inc.
and Affiliated Organizations
Pensacola, Florida

Opinion

We have audited the accompanying consolidated financial statements of Waterfront Rescue Mission, Inc. and Affiliated Organizations (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waterfront Rescue Mission, Inc. and Affiliated Organizations as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Waterfront Rescue Mission, Inc. and Affiliated Organizations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterfront Rescue Mission, Inc. and Affiliated Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Waterfront Rescue Mission, Inc. and Affiliated Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterfront Rescue Mission, Inc. and Affiliated Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Waterfront Rescue Mission, Inc. and Affiliated Organizations' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Brown Sheraton Account & Company, P.A.

Pensacola, Florida
May 11, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS
DECEMBER 31, 2021
(With comparative totals for 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 9,333,374	\$ 6,107,692
Accounts receivable	1,504	50,145
Contribution receivable	254,000	82,000
Pledges receivable, net	80,000	120,000
Contributed merchandise inventory	1,088,715	912,442
Purchased merchandise inventory	85,610	59,359
Prepaid expenses and deposits	191,214	225,052
Investments	25,055	30,857
Construction in progress	107,366	105,443
Land, buildings, and equipment, net	<u>12,167,508</u>	<u>12,140,834</u>
 Total assets	 <u>\$ 23,334,346</u>	 <u>\$ 19,833,824</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 109,700	\$ 144,262
Accrued liabilities	294,583	211,759
Accrued compensated absences	265,523	224,018
Notes payable, net	1,583,138	2,639,839
Contingent notes payable	1,225,243	1,225,243
Deposits payable	11,093	12,043
Deferred revenues	<u>48,795</u>	<u>46,438</u>
 Total liabilities	 3,538,075	 4,503,602
NET ASSETS		
Without donor restrictions	19,582,304	15,115,912
With donor restrictions	<u>213,967</u>	<u>214,310</u>
 Total net assets	 <u>19,796,271</u>	 <u>15,330,222</u>
 Total liabilities and net assets	 <u>\$ 23,334,346</u>	 <u>\$ 19,833,824</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

**YEAR ENDED DECEMBER 31, 2021
(With comparative totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
CHANGES IN NET ASSETS				
REVENUE AND SUPPORT				
Sales of purchased merchandise (less cost of \$388,047 and \$218,511)	\$ 282,526	\$ -	\$ 282,526	\$ 143,448
Merchandise contributed for sale (less cost of recyclables of \$11,363 and \$10,526)	8,960,211	40,000	9,000,211	6,139,856
Donated services and in-kind goods	230,306	-	230,306	238,103
Pledges revenue	-	-	-	120,000
Cash contributions and grants	3,663,249	-	3,663,249	4,500,475
Interest	12,408	-	12,408	122,653
Investment income	9,590	-	9,590	1,966
Gain (loss) on sale of assets	(18,732)	-	(18,732)	1,251
Participation fees	257,785	-	257,785	236,049
Special events (less direct costs of \$4,073 and \$506)	52,490	-	52,490	3,294
Other revenue	222,237	-	222,237	179,918
PPP loan forgiveness	1,272,017	-	1,272,017	-
Proceeds from insurance - contents	-	-	-	157,763
Gain (loss) on building damage - Hurricane Sally	5,303	-	5,303	(19,435)
Net assets released from restrictions	40,343	(40,343)	-	-
TOTAL REVENUE AND SUPPORT	14,989,733	(343)	14,989,390	11,825,341
EXPENSES				
Program services				
Missions	2,430,837	-	2,430,837	2,887,535
Thrift stores	5,507,114	-	5,507,114	4,604,161
Recycling center	961,025	-	961,025	901,123
Total program services	8,898,976	-	8,898,976	8,392,819
Supporting services				
General and administrative	975,917	-	975,917	987,356
Fundraising	648,448	-	648,448	614,510
Total supporting services	1,624,365	-	1,624,365	1,601,866
TOTAL EXPENSES	10,523,341	-	10,523,341	9,994,685
CHANGE IN NET ASSETS BEFORE GAIN ON NEW MARKET TAX CREDITS	4,466,392	(343)	4,466,049	1,830,656
Gain on new market tax credits	-	-	-	1,998,000
CHANGE IN NET ASSETS	4,466,392	(343)	4,466,049	3,828,656
NET ASSETS, BEGINNING OF YEAR	15,115,912	214,310	15,330,222	11,501,566
NET ASSETS, END OF YEAR	\$ 19,582,304	\$ 213,967	\$ 19,796,271	\$ 15,330,222

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

YEAR ENDED DECEMBER 31, 2021
(With comparative totals for 2020)

	Missions	Thrift Stores	Recycling Center	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Total Expenses 2021	Total Expenses 2020
Accounting and legal	\$ 59,977	\$ -	\$ -	\$ 59,977	\$ 92,627	\$ 5,502	\$ 98,129	\$ 158,106	\$ 76,404
Advertising	9,319	111,009	-	120,328	2,562	112,339	114,901	235,229	203,468
Bank charges	28	11,957	3,097	15,082	19,683	90	19,773	34,855	27,113
Banquets	1,145	-	-	1,145	-	-	-	1,145	450
Contracted services	60,995	148,928	57,064	266,987	31,436	33,065	64,501	331,488	294,622
Convention travel	1,336	6,851	69	8,256	4,501	107	4,608	12,864	19,771
Credit card	3,282	117,150	369	120,801	-	16,714	16,714	137,515	91,581
Depreciation	367,261	114,765	18,934	500,960	8,513	709	9,222	510,182	491,097
Direct mail	-	-	-	-	-	366,689	366,689	366,689	342,938
Donations in-kind	176,882	17,993	2,136	197,011	15,000	-	15,000	212,011	228,882
Donations to others	243	560	-	803	1,080	-	1,080	1,883	20,010
Drug free program	2,104	11,313	1,347	14,764	135	-	135	14,899	10,873
Dues and subscriptions	11,851	7,914	-	19,765	7,412	886	8,298	28,063	16,492
Education and training	3,152	80	-	3,232	1,054	-	1,054	4,286	2,087
Emergency disaster work	66,298	545	3,798	70,641	-	-	-	70,641	234,561
Insurance	123,369	247,781	35,914	407,064	1,785	-	1,785	408,849	407,028
Interest	51,737	4,311	19,861	75,909	-	-	-	75,909	665,262
Janitorial	36,318	17,952	979	55,249	2,201	-	2,201	57,450	49,418
Meals	24,119	4,630	264	29,013	1,803	-	1,803	30,816	7,821
Medical	60	-	-	60	-	-	-	60	287
Personnel benefits	105,063	179,372	44,814	329,249	93,062	344	93,406	422,655	434,927
Personnel costs	834,442	3,441,726	489,312	4,765,480	585,947	88,652	674,599	5,440,079	4,636,462
Postage	104	535	12	651	4,051	13,364	17,415	18,066	16,217
Rent	56,790	381,386	4,323	442,499	29,160	-	29,160	471,659	491,918
Repairs and maintenance	127,270	227,893	33,968	389,131	43,972	5,860	49,832	438,963	300,041
Supplies and small equipment	54,586	88,667	2,845	146,098	8,139	473	8,612	154,710	97,019
Sustenance	-	-	-	-	-	-	-	-	25
Taxes and licenses	12,422	6,766	2,346	21,534	441	3,500	3,941	25,475	13,072
Telephone	24,186	41,971	6,794	72,951	20,726	150	20,876	93,827	93,633
Utilities	188,232	311,354	13,987	513,573	627	-	627	514,200	501,094
Vehicles	28,266	3,705	218,792	250,763	-	4	4	250,767	220,112
Total	\$ 2,430,837	\$ 5,507,114	\$ 961,025	\$ 8,898,976	\$ 975,917	\$ 648,448	\$ 1,624,365	\$ 10,523,341	\$ 9,994,685

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

CONSOLIDATED STATEMENT OF CASH FLOWS
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS
YEAR ENDED DECEMBER 31, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,466,049	\$ 3,828,656
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Merchandise contributed for sale, net	(9,000,211)	(6,139,856)
Sales of contributed merchandise	8,823,938	6,175,662
In-kind stock donation	(17,824)	(8,683)
Depreciation	510,182	491,097
Amortization of loan costs	3,803	398,653
Unrealized gain on investments	1,045	956
(Gain) loss on sale of property and equipment	18,732	(1,251)
PPP loan forgiveness	(1,272,017)	-
Gain on new market tax credit transaction	-	(1,998,000)
Gain on insurance proceeds - contents	-	(157,763)
Loss on property damage - Hurricane Sally	-	19,435
(Increase) decrease in operating assets:		
Accounts receivable	48,641	(9,867)
Contributions receivable	(172,000)	(82,000)
Pledges receivable	40,000	(80,000)
Inventory of purchased goods	(26,251)	(32,649)
Prepaid expenses	33,838	96,016
Increase (decrease) in operating liabilities:		
Accounts payable	(34,562)	(93,885)
Accrued liabilities	82,824	(25,387)
Accrued compensated absences	41,505	(90,387)
Deferred revenues	1,407	1,322
Net cash provided by operating activities	<u>3,549,099</u>	<u>2,292,069</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net	(4,084)	(3,089)
Purchase of property and equipment	(557,739)	(70,347)
Payments for construction in progress	(1,923)	(105,443)
Proceeds from insurance claim	-	676,784
Proceeds from sale of property and equipment	2,151	1,251
Proceeds from sale of stock	26,665	2,730
Net cash provided (used) by investing activities	<u>(534,930)</u>	<u>501,886</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	297,425	1,422,017
Payments on long-term debt	(85,912)	(396,833)
Net cash provided by financing activities	<u>211,513</u>	<u>1,025,184</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,225,682</u>	<u>3,819,139</u>
Cash and cash equivalents, beginning of year	<u>6,107,692</u>	<u>2,288,553</u>
Cash and cash equivalents, end of year	<u>\$ 9,333,374</u>	<u>\$ 6,107,692</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE A - ORGANIZATION AND PURPOSE OF OPERATIONS

Waterfront Rescue Mission, Inc. (the Mission) was founded in 1949 as a Florida nonprofit organization. The Mission provides rehabilitative services to indigent people and those suffering from substance abuse and other life-dominating issues. Healing and restoration are the goals of this Bible-based model that promotes self-sufficient, productive members of the community in the states of Florida and Alabama.

The Mission's main programs include the missions, the thrift stores, and the recycling center. The LifeBuilder Recovery Program is a 90-day, Christian, residential addiction recovery program designed to assist men in rebuilding their lives, their hope, and their purpose. The Mission has several programs to achieve its goals. Through the Career Development Program, the Mission helps men enroll in local colleges, universities, and vocational schools, and also assists in procuring jobs to help ensure clients are equipped to become and remain productive members of society. The Mission's Veterans Program serves homeless military Veterans by coordinating with the U.S. Department of Veterans Affairs to provide guidance in obtaining benefits and affordable housing. The Mission's Respite Care program offers a safe environment with hospital beds for ill or injured homeless men to recuperate. The Mission's Day Resource Center provides services to help indigent men, women, and children with job searches, mail and phone services, storage lockers, clothing, recreational activities, spiritual counseling, and also provides meals and laundering and shower provisions. In addition, through the Mission's various sites and programs, men and women are offered literacy programs, if needed, and they learn fundamental computer skills. They also have the opportunity to learn valuable work skills such as forklift certification, merchandising, production, register training, customer services, and cooking. In-kind donations processed and resold through the Mission's supporting thrift stores ministry affords shoppers within the Missions' communities (Pensacola, Fort Walton, Crestview, Milton, Foley, Gulf Breeze, and Mobile) to purchase affordable, high-quality clothing, shoes, household goods, and gently-used home furnishings at exceptional values. The Mission's recycling and donation center processes, on average, 1,650 tons of in-kind donated recyclable materials annually. Materials are donated on-site and collected from thrift stores as an intentional effort to reduce the local environmental impacts caused by the over usage of area landfills. Salvaged materials are resold at current market values. The management and staff of the thrift stores and the recycling and donation center work closely with program clients and employees to improve environmental awareness and to provide job skills training as they model Christian integrity, strong work ethic, and stewardship as an investment back into the community. The Mission is also a member of the Association of Gospel Rescue Missions and the Evangelical Council for Financial Accountability.

Waterfront Rescue Mission Foundation, Inc. (the Foundation) was created in 1995 to assure preservation of the Mission's assets, and to meet other long-term financial needs of the Mission. The Foundation holds and invests funds contributed to it by the Mission and administers certain private contributions and endowment funds received to support the purpose of the Mission. The Foundation's revenue and net assets are summarized in the consolidating schedules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE A - ORGANIZATION AND PURPOSE OF OPERATIONS (Continued)

In November 2013, the Mission entered into a New Market Tax Credit (NMTC) transaction, as outlined in Internal Revenue Code (IRC) Section 45D, to help finance the construction of its new Mobile Mission Homeless Campus. WRM QALICB, LLC (WRM QALICB) was formed in October 2013 under the laws of Alabama in order to meet the necessary structuring requirements to qualify for the NMTC transaction. WRM QALICB held the Mobile property and is leased back to the Mission for the sole purpose of operations and furthering its mission to aid the homeless. The WRM QALICB's revenue and net assets are summarized in the consolidating schedules. WRM QALICB distributed the property back to the Mission and was dissolved during the year ended December 31, 2021.

The Mission and the Foundation are affiliated nonprofit organizations by virtue of the fact that they share a common board of directors. Furthermore, the Mission had an 89% ownership interest in the WRM QALICB before being dissolved in 2021. Therefore, the accompanying financial statements of these three affiliated organizations are presented on a consolidated basis (the Organization).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation - The consolidated financial statements include the accounts of Waterfront Rescue Mission, Inc., the Waterfront Rescue Mission Foundation, Inc., and the Mission's majority-owned for-profit limited liability company, WRM QALICB (collectively, the Organization). All material related party transactions have been eliminated in consolidation.
2. Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting, following accounting principles generally accepted in the United States of America for nonprofit organizations.
3. Use of Estimates - The preparation of 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, disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Presentation - The Organization is required by the *Financial Statements of Not-for-Profit Organizations* topic of the FASB Accounting Standard Codification to report information regarding its financial position and activities according to two classes of net assets:

Without donor restrictions - not subject to donor-imposed stipulations.

With donor restrictions - subject to donor-imposed stipulations.

5. Cash and Cash Equivalents - For the purpose of the consolidated statements of cash flows, the Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents.
6. Accounts Receivable - Trade accounts receivable represents amounts due from sales in the Organization's recycling program and are presented net of an allowance for doubtful accounts. The Organization estimates the allowance based on historical experience, coupled with a review of the current status of existing receivables. Trade accounts receivable balances will be written off in the period management deems they are uncollectible. Recoveries of trade receivables previously written off will be recorded in revenue when received. Management has evaluated the receivables and considered them to be fully collectible. Accordingly, there was no allowance for doubtful accounts at December 31, 2021.
7. Pledges Receivable - Unconditional promises to give (pledges) are recognized in the period that notification is received. The pledges are recorded as revenue and net assets with donor restrictions. Pledges are discounted, using a market discount rate, to present value for collections expected in future years. Accretion of the discount in subsequent years is also recorded as contribution revenue. The Organization did not apply a discount to the pledge receivable balance at December 31, 2021.

Pledges receivable are stated net of an allowance for uncollectible pledges. The Organization estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. Management has evaluated the pledges receivable and considered them to be fully collectible. Accordingly, there was no allowance for doubtful accounts for pledges receivable at December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Contributed Merchandise - Inventories of clothing and other merchandise donated to the Mission for sale through the thrift stores and use in the Mission's program services are recorded at estimated net realizable value. The value of inventory on hand in the thrift stores is estimated using the subsequent sales method. That inventory method uses inventory turnover statistics and sales subsequent to year end to estimate inventory at December 31, 2021. The value of warehouse goods is estimated based on the average weight, by type, of merchandise. Because of the inherent uncertainties in estimating the net realizable value of contributed merchandise, it is at least reasonably possible that the estimates used will change in the near term.
9. Purchased Goods Merchandise - Inventories of merchandise purchased for resale are valued at lower of cost (first in-first out) or market.
10. Fair Value Measurement - Investments are measured at fair value by the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs consist of significant unobservable inputs and have the lowest priority.

When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The Organization used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the consolidated financial statements:

Investments in debt securities and certain equity securities are measured at fair value using Level 1 inputs. Gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by the donor, and dividend, interest, and other investment income is reported in the period earned as increases in net assets without donor restriction unless donor-imposed restrictions apply.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in the value of remeasurement are recorded in the period remeasured.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Land, Buildings, and Equipment - Land, buildings, and equipment are stated at cost, or if donated, at the estimated fair market value on the date of the gift. It is the policy of the Organization to capitalize purchases of property and equipment in excess of \$5,000. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is provided on a straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	5 - 40 years
Furniture, fixtures, and equipment	4 - 10 years
Vehicles	3 - 5 years

12. Debt Issuance Costs - Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of debt. The Organization reflects amortization of debt issuance costs as interest expense.
13. Program Revenue - The Organization adopted Accounting Standards Update No. 2014-19, *Revenue from Contracts with Customers (Topic 606)*, which affects contracts with customers to transfer goods or services. The Organization recognizes revenue, based on the transaction price, for in-store merchandise and online sales when the customer receives the merchandise. In determining the transaction price, the Organization considers the amount to be contractually billed to its customer.

The Organization sells gift cards through its stores. The Organization does not charge fees on unused gift cards. Revenues from gift cards is recognized when the gift card is redeemed by the customer.

Program fee revenue is reported at the estimated net realizable amounts that reflects the consideration to which the Organization expects to be entitled in exchange for providing client services. These amounts are due from clients. Generally, the Organization bills the client when services are provided. Revenue is recognized as performance obligations are satisfied. It is the Organization's expectation that the period between the time the service is provided to a client and the time a client pays for that service will be one year or less.

Performance obligations are determined based on the nature of services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied over time when services are provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client.

Each performance obligation is separately identifiable from other promises in the contract with the customers. As the performance obligations are met, revenue is recognized based upon allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in *FASB ASC Subtopic 606-10-50-14(a)*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Contract receivables, assets, and liabilities at January 1, 2020 were \$40,278, zero, and zero, respectively.

14. Contributions - Contributions are recorded depending on the existence and/or nature of any donor-imposed stipulations and/or restrictions.

All bequests are recorded as contributions to the Foundation, unless the donor specifies the gift should go directly to the Mission.

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

15. Donated Services and In-Kind Goods - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of unpaid volunteers have made significant contributions of their time to the Mission. The value of this contributed time is not reflected in these statements, since it does not meet the aforementioned criteria.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant amounts of food, clothing, furniture, appliances, and other merchandise are donated to the Mission. These donations are recorded at their estimated net realizable value. Most of the items donated are sold through the Mission's thrift stores. However, management estimates the value of "donations in-kind" used in the Mission's program services to feed, clothe, and otherwise assist indigent individuals for the year ended December 31, 2021 to be \$230,306, including \$6,757 of donated services. In-kind stock donations totaled \$17,824 for the year ended December 31, 2021.

16. Grants - The Organization records grant revenue over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred. Amounts that have been awarded but not received are recorded as grants receivable.
17. Sublease Rental Income - Sublease rental income is recognized on a straight-line basis based on the aggregate minimum rental payments outlined in the lease agreements over the applicable lease terms.
18. Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Some costs are allocated based on estimates by management.
19. Advertising Expense - The Organization uses advertising to promote its programs among the audiences they service. The production costs of advertising are expensed the first time the advertising takes place, including direct-response advertising. Advertising costs were \$235,229 for the year ended December 31, 2021.
20. Comparative Financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

Certain accounts and activities in the prior year have been reclassified to conform to the presentation in the current year financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. Tax Exemptions - The Mission and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state laws, and are exempt from federal income taxes other than income from certain activities not directly related to their tax-exempt purpose. Neither the Mission nor the Foundation had any unrelated business income for the year ended December 31, 2021. In addition, the Mission and the Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than a private foundation under Section 509(a)(2).

The WRM QALICB files a separate partnership income tax return. The partnership income tax return reports the NMTC transaction as a sale-leaseback

The Organization follows the accounting standard for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest, and penalties on income taxes, and accounting in interim periods. The Organization believes that any tax positions it has taken or expects to take that are more-likely-than-not sustainable, as described in the Codification, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued at December 31, 2021.

The Organization's information and tax returns for the years ended December 31, 2019 through 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

22. Recent Financial Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. This standard is effective for fiscal periods beginning after December 15, 2021. The Company plans to adopt this ASU for its year ending December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

23. Events Occurring After the Reporting Date - The Waterfront Rescue Mission, Inc. has evaluated events and transactions that occurred between December 31, 2021 and May 11, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following as of December 31, 2021:

Interest bearing accounts	\$	4,627,032
Non-interest bearing accounts		4,694,142
Cash on hand		<u>12,200</u>
	<u>\$</u>	<u>9,333,374</u>

NOTE D - INVESTMENTS

Cost, fair value, and unrealized gains (losses) for assets held as investments are summarized as follows:

	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Trading investments	<u>\$ 25,055</u>	<u>\$ 25,055</u>

Fair value of assets measured on a recurring basis at December 31, 2021, were as follows:

	Cost	Fair Value	Unrealized Gains (Losses)
Trading investments	<u>\$ 23,239</u>	<u>\$ 25,055</u>	<u>\$ 1,816</u>

There were no Level 3 inputs at December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE E - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid \$64,435 in interest during the year ended December 31, 2021. During 2021, the Organization received in-kind stock donations totaling \$17,824.

During 2021, two notes payable were refinanced in the amount of \$1,300,000.

NOTE F - PLEDGES RECEIVABLE

Pledges receivable of \$80,000 at December 31, 2021 consist of unconditional promises to give from individuals and private foundations. These contributions are restricted; \$40,000 is receivable in less than one year; \$40,000 is receivable in one to five years. No discount has been applied to the pledges receivable balance at December 31, 2021.

NOTE G - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment owned by the Organization at December 31, 2021 were as follows:

Land	\$	2,897,392
Buildings and improvements		13,580,198
Leasehold improvements		95,756
Furniture, fixtures, and equipment		2,016,978
Vehicles		<u>496,477</u>
		19,086,801
Less accumulated depreciation		<u>(6,919,293)</u>
	\$	<u>12,167,508</u>

Depreciation expense for the year ended December 31, 2021 was \$510,182.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE H - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2021. However, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of December 31, 2021 have not been subtracted as unavailable.

Financial assets, at year-end	\$ 9,693,933
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(213,967)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,479,966</u>

The Organization at times receives restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE I - NOTES PAYABLE

The Organization's notes payable as of December 31, 2021 are as follows:

The Mission:

Note to bank, monthly payments of \$2,088, including interest at 3.60% through November 2026, collateralized by real property in Escambia County and rents with a net book value of \$479,596	\$ 354,255
Note to bank, monthly payments of \$9,623, including interest at 3.95% through April 2026, collateralized by real property in Mobile County and rents with a net book value of \$4,839,265	1,262,939
Less, unamortized debt issuance costs	<u>(34,056)</u>
	<u>\$ 1,583,138</u>

A schedule of maturities of the notes payable is as follows:

Year Ending December 31,	Amounts
2022	\$ 73,698
2023	77,921
2024	81,075
2025	84,607
2026	1,265,837
Thereafter	<u>-</u>
	<u>\$ 1,583,138</u>

Interest expense related to the notes payable for the year ended December 31, 2021 was \$75,909, including loan amortization of \$3,803.

The Mission received an SBA loan for \$1,272,017 in May 2020. The interest rate is 1%. The term of the loan is 24 months with the first 6 months of principal and interest payments deferred with interest accruing. The loan is made pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief, and Economic Security Act. The loan was forgiven, in full, in May 2021 and is included on the Statement of Activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE J - CONTINGENT NOTES PAYABLE

The Federal Home Loan Bank Atlanta advanced Affordable Housing Program funds to the Organization in the amount of \$1,000,000 for the construction of the Pensacola Mission. The award was recognized by a note which was formally executed September 28, 2012, for this amount, and is secured by the Herman Street building, including all attached real property and improvements with a net book value of \$3,622,335. In addition, the ground lease has also been assigned. These funds were awarded in conjunction with the loan, dated February 14, 2012, for \$1,000,000 with a financial institution.

During 2014, the Federal Home Loan Bank Atlanta advanced Affordable Housing Program funds to the Organization in the amount of \$225,243 for the construction of the Mobile Mission. The award was recognized by a note which was formally executed October 25, 2012, for this amount, and is secured by the Mobile Mission building, including all attached real property and improvements with a net book value of \$4,839,265. These funds were awarded in conjunction with the loan, dated September 15, 2014, for \$225,243 with a financial institution.

In the event of default of any terms or obligations pursuant to the notes, including the sale, conveyance, transfer, or assignment of any interest in the properties referred to in the notes or the failure of the Organization to comply with the occupancy restrictions and conditions specified in the notes, the total principal balances will be due and payable.

If the Organization is not in default of any terms or obligations of the note within fifteen years, the entire principal balance shall be forgiven on the fifteenth anniversary of the note. The note is noninterest bearing. The balance of the contingent notes payable for the Pensacola Mission and the Mobile Mission were \$1,000,000 and \$225,243, respectively, at December 31, 2021.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Pledges receivable	\$	80,000
Contributions receivable		82,000
Career development program		40,000
Other purposes		<u>11,967</u>
	\$	<u>213,967</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE L - CHANGES IN CONSOLIDATED NET ASSETS

Changes in the consolidated net assets relating to the Mission and affiliates for the year ended December 31, 2021 are as follows:

	Mission	Foundation	WRM QALICB	Eliminating Entries	Total
Net assets without donor restrictions:					
Balance, December 31, 2020	\$ 9,663,013	\$ 1,057,725	\$ 4,953,624	\$ (558,450)	\$ 15,115,912
Changes in net assets without donor restrictions	8,860,256	1,310	24,542	(4,419,716)	4,466,392
Distributions	-	-	(4,978,166)	4,978,166	-
Balance, December 31, 2021	<u>\$ 18,523,269</u>	<u>\$ 1,059,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,582,304</u>
	Mission	Foundation	WRM QALICB	Eliminating Entries	Total
Net assets with donor restrictions:					
Balance, December 31, 2020	\$ 214,310	\$ -	\$ -	\$ -	\$ 214,310
Changes in net assets with donor restrictions	(343)	-	-	-	(343)
Balance, December 31, 2021	<u>\$ 213,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,967</u>

NOTE M - GRANT REVENUE

The Mission was awarded a grant to provide services for the homeless totaling \$40,150 for the period of July 2020 through June 2022. The Mission was awarded a grant to provide client case management services totaling \$40,085 for the period of May 2021 through June 2022.

NOTE N - SUBLEASE RENTAL INCOME

The Mission has a month-to-month lease agreement for the North McKenzie Street property in Foley, Alabama requiring monthly rental payments of \$2,000.

The Mission entered into a sublease agreement in November 2013 for the Mobile Mission Homeless Campus. The lease commenced January 1, 2014 and expires on December 31, 2024. The subtenant is leasing approximately 7,500 square feet. Rent is \$8,431 due monthly, with standard incremental increases during the term of the lease. In addition, the subtenant also agreed to pay the Mission for additional monthly rent for utilities used by the subtenant on the leased properties. The initial additional rental amounts to \$2,100 per month, to be reviewed on an annual basis. The sublease was pledged as collateral in connection with the note payable to Trustmark.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE N - SUBLEASE RENTAL INCOME (continued)

The Mission has a month-to-month agreement for the West Fairfield Drive property in Pensacola, Florida requiring monthly rental payments \$1,500.

The Mission also has a month-to-month sublease agreement for the Herman Street Day Resource Center with Escambia County Community Clinics, for approximately 540 square feet. Rent of \$314 is due monthly, with standard incremental increases each renewal term.

Future minimum sublease payments remaining to be received on the agreements are as follows:

<u>Year Ending</u> <u>December 31.</u>	<u>Amounts</u>
2022	\$ 101,172
2023	101,172
2024	101,172
2025	-
2026	-
Thereafter	-
	<u>\$ 303,516</u>

The following is a summary of the leased property in service at December 31, 2021:

Land	\$ 93,741
Land improvements	12,156
Buildings and improvements	1,563,148
Equipment	1,980
	<u>1,671,025</u>
Less accumulated depreciation	<u>(337,226)</u>
	<u>\$ 1,333,799</u>

Rental revenue and expenses for the year ended December 31, 2021 were as follows:

Revenues	\$ 145,441
Expenses	
Depreciation	36,763
Insurance	12,462
Repairs and maintenance	9,237
Utilities	15,928
	<u>74,390</u>
Net rental income	<u>\$ 71,051</u>

Rental income is included in other revenue in the statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE O - OPERATING LEASES

In 2010, the Organization entered into a ground lease in Pensacola under a fifty-year operating lease requiring annual rental payments of \$43,200, with annual increases of \$100 per month, and an option to purchase at the end of the lease period. Rent expense for the year ended December 31, 2021 for this land was \$54,000.

The Organization has a month-to-month lease for a facility in Gulf Breeze requiring annual rental payments of \$44,400. Rent expense for the year ended December 31, 2021 for this facility was \$44,400.

In 2013, as part of the NMTC transaction discussed in Note A, WRM QALICB entered into an agreement to lease the Mobile Mission Homeless Campus to the Mission to conduct its operations, under a thirty-year operating lease ending in 2043. The annual base lease payments amount to \$228,360 in 2014, with an annual 2.5% increase through 2043. Also, as part of the agreement, the Mission is required to pay an additional rent expense in excess of the expense floor each year. The related rent revenues and expenses are eliminated upon consolidation. The lease expired upon dissolution of WRM QALICB in 2021.

The Organization leased seven vehicles during 2021. Rent expense for the year ended December 31, 2021 for these vehicles was \$120,247. The leases on the vehicles expire in August 2022 for one of the vehicles, in June 2026 for three of the vehicles, March 2028 for one of the vehicles, and July 2028 for two of the vehicles.

During May 2016, the Organization sold property in Fort Walton Beach and leased back the property to continue operations of the thrift store. The lease for the facility is under a five-year operating lease with two five-year renewal periods available. The lease was renewed in May 2021 requiring annual rental payments of \$191,393. Rent expense for the year ended December 31, 2021 was \$188,940.

In 2018, the Organization entered into a lease for a facility in Mobile under a five-year operating lease expiring in 2024. In June 2021, the lease was amended to require annual rental payments of \$144,000. Rent expense for the year ended December 31, 2021 was \$144,000.

In July 2021, the Organization entered into an equipment lease in its various Florida and Alabama locations under a five-year operating lease requiring annual rental payments of \$5,532 beginning July 2021, expiring 2026. Rent expense for the year ended December 31, 2021 was \$2,766.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

NOTE O - OPERATING LEASES (Continued)

In August 2021, the Organization entered into a copier lease in Pensacola under a four-year operating lease requiring annual rental payments of \$2,736 beginning July 2021, expiring 2026. Rent expense for the year ended December 31, 2021 was \$979.

At December 31, 2021, the Organization was obligated for minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year for each of the next five years and in the aggregate as follows:

Year Ending December 31,	Amounts
2022	\$ 521,103
2023	515,743
2024	393,382
2025	312,412
2026	196,575
Thereafter	1,868,549
	<u>\$ 3,807,764</u>

The equipment and software used in operations is rented on a month-to-month or as needed basis.

NOTE P - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash in banks and certificates of deposit in excess of federally insured limits. The Organization manages this risk by maintaining its cash in various high-quality financial institutions. The funds in these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balance was \$8,626,867 at December 31, 2021.

NOTE Q - PENSION PLAN

All of the full-time employees of the Organization who have attained 21 years of age are covered under a defined contribution pension plan. Employees are permitted to contribute to the plan on a pre-tax basis. The Organization contributes matching contributions, at the Organization's discretion. Employees are also allowed to make post-tax contributions under a Roth-403(b). The Organization contributed \$28,001 to the Plan for the year ended December 31, 2021.

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Waterfront Rescue Mission, Inc.
and Affiliated Organizations
Pensacola, Florida

We have audited the consolidated financial statements of Waterfront Rescue Mission, Inc. (a nonprofit organization) and Affiliated Organizations for the year ended December 31, 2021, and our report thereon dated May 11, 2022, which expresses an unmodified opinion on those financial statements appears on pages 2 - 4. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional information on pages 28 - 32 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Brown Thornton Pacenta & Company, P.A.

Pensacola, Florida
May 11, 2022

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

DECEMBER 31, 2021

<u>ASSETS</u>					
	<u>Mission</u>	<u>Foundation</u>	<u>WRM QALICB</u>	<u>Eliminating</u> <u>Entries</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 8,274,339	\$ 1,059,035	\$ -	\$ -	\$ 9,333,374
Accounts receivable	1,504	-	-	-	1,504
Contribution receivable	254,000	-	-	-	254,000
Pledges receivable, net	80,000	-	-	-	80,000
Contributed merchandise inventory	1,088,715	-	-	-	1,088,715
Purchased merchandise inventory	85,610	-	-	-	85,610
Prepaid expenses and deposits	191,214	-	-	-	191,214
Investments	25,055	-	-	-	25,055
Construction in progress	107,366	-	-	-	107,366
Land, buildings, and equipment, net	<u>12,167,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,167,508</u>
 Total assets	 <u>\$ 22,275,311</u>	 <u>\$ 1,059,035</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 23,334,346</u>
 LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 109,700	\$ -	\$ -	\$ -	\$ 109,700
Accrued liabilities	294,583	-	-	-	294,583
Accrued compensated absences	265,523	-	-	-	265,523
Notes payable, net	1,583,138	-	-	-	1,583,138
Contingent note payable	1,225,243	-	-	-	1,225,243
Deposits payable	11,093	-	-	-	11,093
Deferred revenues	<u>48,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,795</u>
 Total liabilities	 3,538,075	 -	 -	 -	 3,538,075
 NET ASSETS					
Without donor restrictions	18,523,269	1,059,035	-	-	19,582,304
With donor restrictions	<u>213,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,967</u>
 Total net assets	 <u>18,737,236</u>	 <u>1,059,035</u>	 <u>-</u>	 <u>-</u>	 <u>19,796,271</u>
 Total liabilities and net assets	 <u>\$ 22,275,311</u>	 <u>\$ 1,059,035</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 23,334,346</u>

See independent auditor's report on additional information.

CONSOLIDATING SCHEDULE OF ACTIVITIES
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS
YEAR ENDED DECEMBER 31, 2021

	<u>Mission</u>	<u>Foundation</u>	<u>WRM QALICB</u>	<u>Eliminating Entries</u>	<u>Total</u>
CHANGES IN NET ASSETS					
REVENUE AND SUPPORT					
Sales of purchased merchandise (less cost of \$388,047)	\$ 282,526	\$ -	\$ -	\$ -	\$ 282,526
Merchandise contributed for sale (less cost of recyclables of \$11,363)	9,000,211	-	-	-	9,000,211
Donated services and in-kind goods	230,306	-	-	-	230,306
Cash contributions	3,663,249	-	-	-	3,663,249
Interest	11,098	1,310	-	-	12,408
Investment income	9,590	-	-	-	9,590
Loss on sale of assets	(18,732)	-	-	-	(18,732)
Participation fees	257,785	-	-	-	257,785
Special events (less direct expenses of \$4,073)	52,490	-	-	-	52,490
Other revenue	222,237	-	109,734	(109,734)	222,237
PPP loan forgiveness	1,272,017	-	-	-	1,272,017
Gain (loss) on building damage - Hurricane Sally	5,303	-	-	-	5,303
Gain on dissolution of investment	4,419,716	-	-	(4,419,716)	-
TOTAL REVENUE AND SUPPORT	19,407,796	1,310	109,734	(4,529,450)	14,989,390
EXPENSES					
Program services					
Missions	2,455,379	-	85,192	(109,734)	2,430,837
Thrift stores	5,507,114	-	-	-	5,507,114
Recycling center	961,025	-	-	-	961,025
Total program services	8,923,518	-	85,192	(109,734)	8,898,976
Supporting services					
General and administrative	975,917	-	-	-	975,917
Fundraising	648,448	-	-	-	648,448
Total supporting services	1,624,365	-	-	-	1,624,365
TOTAL EXPENSES	10,547,883	-	85,192	(109,734)	10,523,341
CHANGE IN NET ASSETS	8,859,913	1,310	24,542	(4,419,716)	4,466,049
NET ASSETS, BEGINNING OF YEAR	9,877,323	1,057,725	4,953,624	(558,450)	15,330,222
DISTRIBUTIONS	-	-	(4,978,166)	4,978,166	-
NET ASSETS, END OF YEAR	\$ 18,737,236	\$ 1,059,035	\$ -	\$ -	\$ 19,796,271

See independent auditor's report on additional information.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - MISSIONS
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS
YEAR ENDED DECEMBER 31, 2021
(With comparative totals for 2020)

	Pensacola Mission	Mobile Mission	Transition Center	Recovery Center	Day Resource Center	Total Mission Expenses 2021	Total Mission Expenses 2020
Accounting and legal	\$ 50,544	\$ 9,433	\$ -	\$ -	\$ -	\$ 59,977	\$ 12,283
Advertising	-	-	-	9,319	-	9,319	158
Bank Charges	-	28	-	-	-	28	80
Banquets	425	-	-	720	-	1,145	175
Contracted services	28,102	15,977	435	16,481	-	60,995	68,536
Convention travel	-	692	-	644	-	1,336	730
Credit cards	2,182	1,100	-	-	-	3,282	1,709
Depreciation	110,988	144,145	35,825	66,259	10,044	367,261	336,509
Donations in-kind	83,845	93,037	-	-	-	176,882	220,285
Donations to others	93	150	-	-	-	243	-
Drug free program	1,825	222	-	57	-	2,104	2,041
Dues and subscriptions	1,169	2,802	-	7,880	-	11,851	3,099
Education and training	210	2,217	-	725	-	3,152	1,560
Emergency disaster work	49,824	-	-	16,474	-	66,298	169,125
Insurance	54,634	51,492	6,221	11,022	-	123,369	102,272
Interest	1,062	50,651	9	12	3	51,737	638,417
Janitorial	17,828	14,285	946	3,259	-	36,318	25,529
Meals	19,064	2,239	-	2,816	-	24,119	3,717
Medical	60	-	-	-	-	60	287
Personnel benefits	53,791	28,485	14,923	7,864	-	105,063	105,853
Personnel costs	403,721	276,477	38,004	116,216	24	834,442	778,896
Postage	104	-	-	-	-	104	79
Rent	55,659	717	-	414	-	56,790	54,588
Repairs and maintenance	60,559	43,149	14,580	8,522	460	127,270	83,449
Supplies and small equipment	24,955	9,441	-	11,690	8,500	54,586	28,250
Sustenance	-	-	-	-	-	-	25
Taxes and licenses	5,060	5,879	978	505	-	12,422	3,741
Telephone	11,422	9,469	1,462	1,508	325	24,186	27,815
Utilities	100,640	67,624	11,150	8,818	-	188,232	194,295
Vehicles	13,907	10,270	1,120	2,969	-	28,266	24,032
Total	\$ 1,151,673	\$ 839,981	\$ 125,653	\$ 294,174	\$ 19,356	\$ 2,430,837	\$ 2,887,535

See independent auditor's report on additional information.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - THRIFT STORES

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

YEAR ENDED DECEMBER 31, 2021

(With comparative totals for 2020)

	Pensacola Thrift Store	Foley Thrift Store	Milton Thrift Store	Ft. Walton Thrift Store	Crestview Thrift Store	Gulf Breeze Thrift Store	Mobile Thrift Store	Online Thrift Store	Auto Vocations	Total Thrift Store Expenses 2021	Total Thrift Store Expenses 2020
Advertising	\$ 30,357	\$ 17,159	\$ 11,414	\$ 14,045	\$ 10,188	\$ 7,039	\$ 8,917	\$ 11,890	\$ -	\$ 111,009	\$ 91,444
Bank charges	2,546	1,758	1,338	1,435	1,436	2,078	1,366	-	-	11,957	10,470
Contracted services	55,266	10,669	8,413	16,492	9,053	23,861	21,783	3,391	-	148,928	112,487
Convention travel	775	942	788	826	788	1,508	1,224	-	-	6,851	14,339
Credit cards	33,160	19,103	15,890	14,214	13,721	10,811	10,251	-	-	117,150	78,073
Depreciation	26,630	41,144	21,099	2,433	15,364	239	4,042	1,850	1,964	114,765	111,229
Donations in-kind	12,964	557	2,290	274	1,149	759	-	-	-	17,993	6,725
Donations to others	16	12	12	12	12	12	484	-	-	560	622
Drug free program	3,366	711	2,034	1,323	1,557	621	1,566	135	-	11,313	7,416
Dues and subscriptions	154	479	274	149	324	349	479	5,706	-	7,914	4,403
Education and training	14	11	11	11	11	11	11	-	-	80	296
Emergency disaster work	-	-	-	-	-	545	-	-	-	545	17,540
Insurance	77,605	43,147	31,550	29,498	27,221	15,500	18,265	4,995	-	247,781	255,902
Interest	-	-	-	-	-	761	3,550	-	-	4,311	3,550
Janitorial	4,888	4,556	2,041	1,980	1,912	1,192	1,282	101	-	17,952	22,304
Meals	620	1,995	234	68	30	699	878	106	-	4,630	2,667
Personnel benefits	55,987	27,400	13,029	29,225	19,569	11,141	18,018	5,003	-	179,372	200,303
Personnel costs	1,028,455	566,167	380,838	409,547	389,994	238,657	340,698	87,370	-	3,441,726	2,723,340
Postage	22	11	6	16	23	5	452	-	-	535	30
Rent	652	205	205	189,145	205	46,769	144,205	-	-	381,386	403,119
Repairs and maintenance	52,411	42,256	31,564	32,366	32,005	16,850	19,523	340	578	227,893	148,093
Supplies and small equipment	31,265	11,400	9,973	10,325	8,326	7,644	6,789	2,945	-	88,667	61,061
Taxes and licenses	6,297	328	2	2	2	2	133	-	-	6,766	4,129
Telephone	4,879	10,743	5,982	7,548	4,692	3,224	4,596	307	-	41,971	38,400
Utilities	81,204	47,730	28,903	40,790	25,806	19,329	64,360	3,232	-	311,354	283,100
Vehicles	537	528	528	528	528	528	528	-	-	3,705	3,119
Total	\$ 1,510,070	\$ 849,011	\$ 568,418	\$ 802,252	\$ 563,916	\$ 410,134	\$ 673,400	\$ 127,371	\$ 2,542	\$ 5,507,114	\$ 4,604,161

See independent auditor's report on additional information.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - RECYCLING CENTER
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATIONS

YEAR ENDED DECEMBER 31, 2021
(With comparative totals for 2020)

	Total Recycling Center Expenses 2021	Total Recycling Center Expenses 2020
Bank charges	\$ 3,097	\$ 18
Contracted services	57,064	59,445
Convention travel	69	321
Credit cards	369	254
Depreciation	18,934	17,818
Donations in-kind	2,136	1,872
Drug free program	1,347	1,377
Emergency disaster work	3,798	62
Insurance	35,914	38,231
Interest	19,861	20,815
Janitorial	979	1,054
Meals	264	62
Personnel benefits	44,814	47,979
Personnel costs	489,312	459,365
Postage	12	-
Rent	4,323	4,201
Repairs and maintenance	33,968	25,690
Supplies and small equipment	2,845	4,885
Taxes and licenses	2,346	1,364
Telephone	6,794	7,480
Utilities	13,987	15,990
Vehicles	218,792	192,840
	<u>218,792</u>	<u>192,840</u>
Total	<u>\$ 961,025</u>	<u>\$ 901,123</u>

See independent auditor's report on additional information.