

CONSOLIDATED FINANCIAL STATEMENTS

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

DECEMBER 31, 2022

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 - 4
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Financial Statements	9 - 27
ADDITIONAL INFORMATION	
Independent Auditor's Report on Additional Information	29
Consolidated Schedule of Functional Expenses - Missions	30
Consolidated Schedule of Functional Expenses - Thrift Stores	31
Consolidated Schedule of Functional Expenses - Recycling Center	32

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Waterfront Rescue Mission, Inc. and Affiliated Organization (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Organization as of December 31, 2022, 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 Organization 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 Organization's 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 Organization's 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 Organization's 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 Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Brown Sherman Paenta & Company, P.A.

Pensacola, Florida
May 12, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

DECEMBER 31, 2022
(With comparative totals for 2021)

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 11,240,390	\$ 9,333,374
Accounts receivable	5,851	1,504
Contribution receivable	614,000	254,000
Pledges receivable, net	40,000	80,000
Contributed merchandise inventory	1,156,992	1,088,715
Purchased merchandise inventory	65,163	85,610
Prepaid expenses and deposits	223,417	191,214
Investments	49,142	25,055
Operating lease assets	1,051,055	1,327,506
Finance lease assets, net	1,347,130	1,521,049
Construction in progress	85,030	107,366
Land, buildings, and equipment, net	<u>12,753,505</u>	<u>12,167,508</u>
Total assets	<u>\$ 28,631,675</u>	<u>\$ 26,182,901</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 295,362	\$ 109,700
Accrued liabilities	340,748	294,583
Accrued compensated absences	286,905	265,523
Operating lease liability	1,055,920	1,332,370
Finance lease liability	1,398,100	1,547,391
Notes payable, net	1,241,040	1,583,138
Contingent notes payable	1,225,243	1,225,243
Deposits payable	10,843	11,093
Deferred revenues	<u>44,240</u>	<u>48,795</u>
Total liabilities	5,898,401	6,417,836
 NET ASSETS		
Without donor restrictions	22,019,307	19,379,098
With donor restrictions	<u>713,967</u>	<u>385,967</u>
Total net assets	<u>22,733,274</u>	<u>19,765,065</u>
Total liabilities and net assets	<u>\$ 28,631,675</u>	<u>\$ 26,182,901</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

**YEAR ENDED DECEMBER 31, 2022
(With comparative totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
CHANGES IN NET ASSETS				
REVENUE AND SUPPORT				
Sales of purchased merchandise (less cost of \$356,116 and \$388,047)	\$ 277,675	\$ -	\$ 277,675	\$ 282,526
Merchandise contributed for sale (less cost of recyclables of \$11,542 and \$11,363)	9,791,048	-	9,791,048	9,000,211
Donated services and in-kind goods	437,840	-	437,840	230,306
Cash contributions and grants	3,411,575	475,000	3,886,575	3,663,249
Interest	66,679	-	66,679	12,408
Investment income	(4,381)	-	(4,381)	9,590
Gain (loss) on sale of assets	(16,344)	-	(16,344)	(18,732)
Participation fees	266,587	-	266,587	257,785
Special events (less direct costs of \$823 and \$4,073)	8,328	-	8,328	52,490
Other revenue	189,368	-	189,368	222,237
PPP loan forgiveness	-	-	-	1,272,017
Gain (loss) on building damage - Hurricane Sally	-	-	-	5,303
Net assets released from restrictions	147,000	(147,000)	-	-
TOTAL REVENUE AND SUPPORT	14,575,375	328,000	14,903,375	14,989,390
EXPENSES				
Program services				
Missions	2,928,999	-	2,928,999	2,446,780
Thrift stores	6,154,865	-	6,154,865	5,511,979
Recycling center	1,125,821	-	1,125,821	971,332
Total program services	10,209,685	-	10,209,685	8,930,091
Supporting services				
General and administrative	1,001,749	-	1,001,749	976,008
Fundraising	723,732	-	723,732	648,448
Total supporting services	1,725,481	-	1,725,481	1,624,456
TOTAL EXPENSES	11,935,166	-	11,935,166	10,554,547
CHANGE IN NET ASSETS	2,640,209	328,000	2,968,209	4,434,843
NET ASSETS, BEGINNING OF YEAR	19,379,098	385,967	19,765,065	15,330,222
NET ASSETS, END OF YEAR	\$ 22,019,307	\$ 713,967	\$ 22,733,274	\$ 19,765,065

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

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

YEAR ENDED DECEMBER 31, 2022
(With comparative totals for 2021)

	Missions	Thrift Stores	Recycling Center	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Total Expenses 2022	Total Expenses 2021
Accounting and legal	\$ 1,189	\$ 1,344	\$ -	\$ 2,533	\$ 68,497	\$ 6,250	\$ 74,747	\$ 77,280	\$ 158,106
Advertising	6,024	138,850	-	144,874	14,207	112,660	126,867	271,741	235,229
Amortization of right-to-use-assets	28,687	-	111,545	140,232	2,482	-	2,482	142,714	123,882
Bank charges	82	12,922	198	13,202	20,728	207	20,935	34,137	34,855
Banquets	384	-	-	384	1,285	-	1,285	1,669	1,145
Contracted services	87,470	166,204	121,152	374,826	37,833	28,092	65,925	440,751	331,488
Convention travel	4,685	11,473	1,160	17,318	8,997	-	8,997	26,315	12,864
Credit card	2,924	141,822	680	145,426	-	16,447	16,447	161,873	137,515
Depreciation	361,467	133,294	21,673	516,434	7,509	4,567	12,076	528,510	510,182
Direct mail	-	-	-	-	-	435,295	435,295	435,295	366,689
Donations in-kind	387,141	10,920	1,451	399,512	38,000	-	38,000	437,512	212,011
Donations to others	39	433	-	472	1,635	-	1,635	2,107	1,883
Drug free program	2,914	8,955	977	12,846	182	-	182	13,028	14,899
Dues and subscriptions	10,918	6,613	-	17,531	6,883	1,354	8,237	25,768	28,063
Education and training	4,098	98	-	4,196	5,358	-	5,358	9,554	4,286
Emergency disaster work	-	-	-	-	-	-	-	-	70,641
Insurance	123,050	256,389	37,018	416,457	(930)	-	(930)	415,527	408,849
Interest	98,720	8,567	33,480	140,767	738	-	738	141,505	145,974
Janitorial	46,947	18,251	711	65,909	4,721	-	4,721	70,630	57,450
Meals	25,853	4,485	279	30,617	4,239	65	4,304	34,921	30,816
Medical	113	-	-	113	-	-	-	113	60
Personnel benefits	92,120	210,273	43,246	345,639	75,823	380	76,203	421,842	422,655
Personnel costs	1,021,669	3,733,336	528,044	5,283,049	618,812	92,256	711,068	5,994,117	5,440,079
Postage	1,041	736	-	1,777	2,609	17,871	20,480	22,257	18,066
Rent	2,659	388,708	4,644	396,011	14,233	-	14,233	410,244	308,918
Repairs and maintenance	234,113	402,505	35,532	672,150	37,685	4,773	42,458	714,608	438,963
Supplies and small equipment	58,551	95,797	5,321	159,669	6,081	315	6,396	166,065	154,710
Sustenance	1,000	-	-	1,000	-	-	-	1,000	-
Taxes and licenses	3,506	4,052	1,319	8,877	326	3,000	3,326	12,203	25,475
Telephone	41,017	55,493	9,726	106,236	23,416	200	23,616	129,852	93,827
Utilities	230,573	338,637	19,247	588,457	368	-	368	588,825	514,200
Vehicles	50,045	4,708	148,418	203,171	32	-	32	203,203	250,767
Total	\$ 2,928,999	\$ 6,154,865	\$ 1,125,821	\$ 10,209,685	\$ 1,001,749	\$ 723,732	\$ 1,725,481	\$ 11,935,166	\$ 10,554,547

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

CONSOLIDATED STATEMENT OF CASH FLOWS
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION
YEAR ENDED DECEMBER 31, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,968,209	\$ 4,434,843
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Merchandise contributed for sale, net	(9,791,048)	(9,000,211)
Sales of contributed merchandise	9,722,771	8,823,938
In-kind stock donation	(9,969)	(17,824)
Depreciation	528,510	510,182
Amortization of loan costs	3,803	3,803
Amortization of right-to-use-assets	142,714	123,882
Unrealized (gain) loss on investments	(13,919)	1,045
(Gain) loss on sale of property and equipment	16,344	18,732
PPP loan forgiveness	-	(1,272,017)
(Increase) decrease in operating assets:		
Accounts receivable	(4,347)	48,641
Contributions receivable	(360,000)	(172,000)
Pledges receivable	40,000	40,000
Inventory of purchased goods	20,447	(26,251)
Prepaid expenses	(32,203)	33,838
Operating lease assets	276,451	276,450
Finance lease assets	173,919	247,022
Increase (decrease) in operating liabilities:		
Accounts payable	185,662	(34,562)
Accrued liabilities	46,165	82,824
Accrued compensated absences	21,382	41,505
Operating lease liabilities	(276,450)	(276,450)
Finance lease liabilities	(101,694)	(172,092)
Deferred revenues	(4,805)	1,407
Net cash provided by operating activities	<u>3,551,942</u>	<u>3,716,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments, net	(10,147)	(4,084)
Purchase of property and equipment	(1,130,851)	(557,739)
Payments for construction in progress	22,336	(1,923)
Proceeds from sale of property and equipment	-	2,151
Proceeds from sale of stock	9,948	26,665
Net cash used by investing activities	<u>(1,108,714)</u>	<u>(534,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	297,425
Payments on long-term debt	(345,901)	(85,912)
Payments on finance leases	(190,311)	(167,606)
Net cash provided (used) by financing activities	<u>(536,212)</u>	<u>43,907</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,907,016</u>	<u>3,225,682</u>
Cash and cash equivalents, beginning of year	<u>9,333,374</u>	<u>6,107,692</u>
Cash and cash equivalents, end of year	<u>\$ 11,240,390</u>	<u>\$ 9,333,374</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

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 ORGANIZATION

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 which was leased back to the Mission for the sole purpose of operations and furthering its mission to aid the homeless. 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 and is included in the comparative 2021 totals in the Consolidated Financial Statements. The accompanying financial statements of Mission and the Foundation are presented on a consolidated basis for the year ended December 31, 2022 (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. and the Waterfront Rescue Mission Foundation, Inc. (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 ORGANIZATION

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, 2022.
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, 2022.

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, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

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, 2022. 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 ORGANIZATION

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 ORGANIZATION

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, 2021 were \$50,145, 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 Goods and Services - The Organization records various types of in-kind support, including contributed professional services and materials. During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirement around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of additional disclosures. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized at fair value when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and are treated as in-kind support for purposes of meeting state matching requirements. 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.

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, 2022 to be \$437,840, including \$49,664 of donated services.

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 as per ASU 2016-02, Leases, which was adopted during the year ended December 31, 2022.
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 \$271,741 for the year ended December 31, 2022.
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, 2021 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 ORGANIZATION

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, 2022. 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 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, 2022.

The Organization's information and tax returns for the years ended December 31, 2020 through 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

22. Recent Financial Accounting Pronouncements - During the year ended December 31, 2022, the Organization adopted 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. The Organization recorded a "right to use" operating and finance assets and operating and finance lease liability. The Standard was applied retroactively to all years presented. There was a change in net assets as a result of the adoption in the amount of \$31,206. The operating and finance lease and liability as of December 31, 2022 are presented on the Statement of Financial Position and total \$2,398,185 (\$1,051,055 for operating and \$1,347,130 for finance) and \$2,454,020 (\$1,055,920 for operating and \$1,398,100 for finance), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

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, 2022 and May 12, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE C - PRESENTATION CHANGE OF OPENING RESTRICTED NET ASSETS

During 2022, the Organization reclassified \$172,000 of opening restricted net assets to include contributions receivable totaling \$172,000.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following as of December 31, 2022:

Interest bearing accounts	\$	9,823,803
Non-interest bearing accounts		1,407,437
Cash on hand		<u>9,150</u>
	\$	<u>11,240,390</u>

NOTE E - 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>\$ 49,142</u>	<u>\$ 49,142</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE E – INVESTMENTS (Continued)

Fair value of assets measured on a recurring basis at December 31, 2022, were as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Trading investments	\$ 34,647	\$ 49,142	\$ 14,495

There were no Level 3 inputs at December 31, 2022.

NOTE F - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid \$57,937 in interest during the year ended December 31, 2022. During 2022, the Organization received in-kind stock donations totaling \$9,969.

NOTE G - PLEDGES RECEIVABLE

Pledges receivable of \$40,000 at December 31, 2022 consist of unconditional promises to give from individuals and private foundations. These contributions are restricted; \$40,000 is receivable in less than one year. No discount has been applied to the pledges receivable balance at December 31, 2022.

NOTE H - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment owned by the Organization at December 31, 2022 were as follows:

Land	\$ 2,897,392
Buildings and improvements	13,934,698
Leasehold improvements	105,610
Furniture, fixtures, and equipment	2,425,186
Vehicles	<u>521,015</u>
	19,883,901
Less accumulated depreciation	<u>(7,130,396)</u>
	<u>\$ 12,753,505</u>

Depreciation expense for the year ended December 31, 2022 totaled \$528,510.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE I - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2022. However, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of December 31, 2022 have not been subtracted as unavailable.

Financial assets, at year-end	\$ 11,949,383
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(713,967)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,235,416</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.

NOTE J - NOTES PAYABLE

The Organization's notes payable as of December 31, 2022 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 \$565,112	\$ 128,062
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 \$4,834,872	1,146,539
Less, unamortized debt issuance costs	<u>(33,561)</u>
	<u>\$ 1,241,040</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE J - NOTES PAYABLE (Continued)

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

<u>Year Ending December 31,</u>	<u>Amounts</u>
2023	\$ 77,921
2024	81,075
2025	84,607
2026	997,437
2027	-
Thereafter	-
	<u>\$ 1,241,040</u>

Interest expense related to the notes payable for the year ended December 31, 2022 was \$141,505, including loan amortization of \$3,803.

NOTE K - 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 \$3,955,204. 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 \$4,819,016. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE K - CONTINGENT NOTES PAYABLE (Continued)

If the Organization is not in default on 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, 2022.

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2022:

Pledges receivable	\$	40,000
Contributions receivable		189,000
Career development program		48,000
Estate receivable		425,000
Other purposes		<u>11,967</u>
	<u>\$</u>	<u>713,967</u>

NOTE M - CHANGES IN CONSOLIDATED NET ASSETS

Changes in the consolidated net assets relating to the Mission and affiliate for the year ended December 31, 2022 are as follows:

	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
Net assets without donor restrictions:			
Balance, December 31, 2021	\$ 18,320,063	\$ 1,059,035	\$ 19,379,098
Changes in net assets without donor restrictions	2,632,907	7,302	2,640,209
Distributions	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2022	<u>\$ 20,952,970</u>	<u>\$ 1,066,337</u>	<u>\$ 22,019,307</u>
	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
Net assets with donor restrictions:			
Balance, December 31, 2021	\$ 385,967	\$ -	\$ 385,967
Changes in net assets with donor restrictions	<u>328,000</u>	<u>-</u>	<u>328,000</u>
Balance, December 31, 2022	<u>\$ 713,967</u>	<u>\$ -</u>	<u>\$ 713,967</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE N - 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 O - NONCASH CONTRIBUTIONS

Donated food and other goods and services for the fiscal year ended December 31, 2022, included in the consolidated financial statements, were as follows:

Clothing	\$ 24,544
Food	350,932
Items to the needy	12,700
Chaplin services	11,664
Advertising services	<u>38,000</u>
	<u>\$ 437,840</u>

NOTE P - 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 has a month-to-month lease agreement for the Ferdon Boulevard property in Crestview, Florida requiring monthly rental payments of \$400.

The Mission entered into a sublease agreement in November 2013 for the Mobile Mission Homeless Campus. The lease commenced January 1, 2014, and expired in September 2022. The subtenant is leasing approximately 7,500 square feet for \$8,431 due monthly. A new agreement was entered into effect as of October 1, 2022 and expires on September 30, 2027. Rent is \$10,000 due monthly. The sublease is pledged as collateral in connection with the note payable to Trustmark.

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. In March 2023, the Organization entered into a three-year lease agreement for the property with two three-year renewal terms, with base monthly rental payments of \$4,300, with incremental increases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE P - 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 of \$1,500.

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

Year Ending December 31,	Amounts
2023	\$ 163,626
2024	171,600
2025	171,600
2026	172,890
2027	142,890
Thereafter	226,238
	\$ 1,048,844

The following is a summary of the leased property in service at December 31, 2022:

Land	\$ 96,241
Land improvements	12,156
Buildings and improvements	1,563,148
Equipment	1,980
	1,673,525
Less accumulated depreciation	(360,079)
	\$ 1,313,446

Rental revenue and expenses for the year ended December 31, 2022 were as follows:

Revenues	\$ 157,947
Expenses	
Depreciation	48,124
Insurance	13,545
Repairs and maintenance	18,182
Utilities	24,989
	104,840
Net rental income	\$ 53,107

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE Q - 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, 2022 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, 2022 for this facility was \$44,400.

The Organization leased seven vehicles during 2022. Rent expense for the year ended December 31, 2022 for these vehicles was \$126,606. 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, 2022 was \$191,393.

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, 2022 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, 2022 was \$5,532.

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, 2022 was \$2,937.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE Q - LEASES (Continued)

The Organization adopted ASU 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating and finance right-of-use assets at totaling \$1,051,055 and \$1,347,130, respectively, at December 31, 2022, and operating lease and finance liabilities totaling \$1,055,920 and \$1,398,100, respectively, at December 31, 2022.

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of December 31, 2022:

Operating Leases:	
Operating lease right-of-use-assets	\$ <u>1,051,055</u>
Other current liabilities	\$ 290,594
Operating lease liabilities	<u>765,326</u>
Total operating lease liabilities	<u>\$ 1,055,920</u>
Finance Leases:	
Finance lease right-of-use-assets	\$ 1,489,844
Accumulated amortization	<u>(142,714)</u>
Finance lease right-of-use-assets, net	<u>\$ 1,347,130</u>
Other current liabilities	\$ 110,738
Other long-term liabilities	<u>1,287,362</u>
Total finance lease liabilities	<u>\$ 1,398,100</u>

The following table displays the weighted-average term and discount rates for leases outstanding as of December 31, 2022:

	Operating Leases	Finance Leases
Weighted-average remaining lease term	41	100
Weighted-average discount rate	3%	3%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE Q - LEASES (Continued)

The following summarized the weighted average remaining lease term, discount rate, and lease costs associated with the adoption of ASU 2016-02 as of December 31, 2022:

	Operating Leases	Finance Leases
Average monthly payment	\$ 13,975	\$ 1,743
Average number of payments remaining	41	100
Average discount rate	3%	3%
Total right to use lease asset	\$ 1,051,055	\$ 1,347,130
Total right to use lease liability	\$ 1,055,920	\$ 1,398,100
Total cash paid	\$ 335,393	\$ 190,311

At December 31, 2022, the Organization was obligated for minimum rental payments under non-cancelable operating and finance 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,	Operating	Finance
2023	\$ 335,393	\$ 177,390
2024	340,497	177,390
2025	343,049	175,797
2026	126,350	140,130
2027	-	111,056
Thereafter	-	1,768,828
Total lease payments	1,145,289	2,550,591
Less: interest	<u>(89,369)</u>	<u>(1,152,490)</u>
Present value of lease liabilities	<u>\$ 1,055,920</u>	<u>\$ 1,398,101</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

NOTE Q - LEASES (Continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense	<u>\$ 276,450</u>
Finance lease costs:	
Amortization of lease assets	142,714
Interest on lease liabilities	<u>72,227</u>
Total finance lease costs	<u>\$ 214,941</u>

NOTE R - 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 \$10,469,506 at December 31, 2022.

NOTE S - 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 \$15,517 to the Plan for the year ended December 31, 2022.

ADDITIONAL INFORMATION

**BROWN
THORNTON ♦ PACENTA
& Company, P.A.**

Certified Public Accountants

Business & Financial Consultants

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
Catherine T. Bond, Officer
John R. Dunaway, Of Counsel
Russell F. Lentz, Of Counsel
Sandy J. Queen, Officer
Sean K. Quigley, Officer

**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

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

We have audited the consolidated financial statements of Waterfront Rescue Mission, Inc. (a nonprofit organization) and Affiliated Organization for the year ended December 31, 2022, and our report thereon dated May 12, 2023, 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 30 - 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 12, 2023

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - MISSIONS
WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION
YEAR ENDED DECEMBER 31, 2022
(With comparative totals for 2021)

	Pensacola Mission	Mobile Mission	Career Development	Recovery Center	Total Mission Expenses 2022	Total Mission Expenses 2021
Accounting and legal	\$ -	\$ 1,189	\$ -	\$ -	\$ 1,189	\$ 59,977
Advertising	1,466	209	-	4,349	6,024	9,319
Amortization of right-to-use-assets	26,325	2,362	-	-	28,687	24,145
Bank Charges	-	82	-	-	82	28
Banquets	-	64	-	320	384	1,145
Contracted services	49,223	22,732	3,230	12,285	87,470	60,995
Convention travel	2,023	2,645	-	17	4,685	1,336
Credit cards	1,665	1,259	-	-	2,924	3,282
Depreciation	167,008	148,008	12,072	34,379	361,467	367,261
Donations in-kind	228,320	158,821	-	-	387,141	176,882
Donations to others	39	-	-	-	39	243
Drug free program	565	787	366	1,196	2,914	2,104
Dues and subscriptions	2,774	5,259	-	2,885	10,918	11,851
Education and training	1,663	475	475	1,485	4,098	3,152
Emergency disaster work	-	-	-	-	-	66,298
Insurance	59,985	42,596	8,713	11,756	123,050	123,369
Interest	47,772	50,948	-	-	98,720	51,737
Janitorial	27,718	16,455	123	2,651	46,947	36,318
Meals	15,972	5,475	-	4,406	25,853	24,119
Medical	91	22	-	-	113	60
Personnel benefits	52,051	17,199	7,150	15,720	92,120	105,063
Personnel costs	552,284	288,945	25,565	154,875	1,021,669	834,442
Postage	416	309	-	316	1,041	104
Rent	2,520	139	-	-	2,659	48,588
Repairs and maintenance	128,739	68,430	18,994	17,950	234,113	127,270
Supplies and small equipment	28,991	19,725	3,607	6,228	58,551	54,586
Sustenance	-	-	-	1,000	1,000	-
Taxes and licenses	2,624	149	481	252	3,506	12,422
Telephone	18,147	15,842	2,925	4,103	41,017	24,186
Utilities	123,626	82,553	11,545	12,849	230,573	188,232
Vehicles	25,327	18,180	977	5,561	50,045	28,266
Total	\$ 1,567,334	\$ 970,859	\$ 96,223	\$ 294,583	\$ 2,928,999	\$ 2,446,780

See independent auditor's report on additional information.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - THRIFT STORES

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

YEAR ENDED DECEMBER 31, 2022

(With comparative totals for 2021)

	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 2022	Total Thrift Store Expenses 2021
Accounting and legal	\$ -	\$ -	\$ -	\$ 269	\$ 269	\$ -	\$ 537	\$ 269	\$ -	\$ 1,344	\$ -
Advertising	33,027	20,559	13,171	15,809	13,463	7,654	11,165	24,002	-	138,850	111,009
Amortization of right-to-use-assets	-	-	-	-	-	-	-	-	-	-	-
Bank charges	2,696	1,934	1,532	1,659	1,594	1,971	1,536	-	-	12,922	11,957
Contracted services	58,984	16,335	10,579	22,734	17,914	8,046	27,828	3,784	-	166,204	148,928
Convention travel	1,379	1,485	1,379	1,418	1,942	2,349	1,521	-	-	11,473	6,851
Credit cards	41,328	23,013	21,442	15,533	15,689	13,547	11,270	-	-	141,822	117,150
Depreciation	31,590	47,040	25,337	4,014	16,012	1,730	4,101	1,983	1,487	133,294	114,765
Donations in-kind	2,231	443	3,986	1,649	1,570	1,041	-	-	-	10,920	17,993
Donations to others	15	15	15	15	15	15	343	-	-	433	560
Drug free program	3,285	540	720	1,080	1,620	90	1,530	90	-	8,955	11,313
Dues and subscriptions	149	314	149	149	324	149	314	5,065	-	6,613	7,914
Education and training	14	14	14	14	14	14	14	-	-	98	80
Emergency disaster work	-	-	-	-	-	-	-	-	-	-	545
Insurance	82,486	48,270	33,688	23,463	29,770	17,906	15,604	5,202	-	256,389	247,781
Interest	-	-	-	-	-	5,017	3,550	-	-	8,567	4,311
Janitorial	4,413	4,172	2,503	2,128	1,912	1,561	1,058	504	-	18,251	17,952
Meals	563	1,601	724	433	485	364	242	73	-	4,485	4,630
Personnel benefits	75,521	31,452	30,003	18,318	16,930	11,386	16,757	9,906	-	210,273	179,372
Personnel costs	1,208,729	587,284	452,017	387,695	410,492	304,908	278,288	103,923	-	3,733,336	3,441,726
Postage	116	104	99	113	99	104	101	-	-	736	535
Rent	765	373	2,143	192,053	663	47,534	144,643	534	-	388,708	386,251
Repairs and maintenance	120,303	68,502	44,134	47,400	50,642	24,404	24,272	22,848	-	402,505	227,893
Supplies and small equipment	31,157	12,226	10,831	10,010	10,328	6,726	8,340	6,179	-	95,797	88,667
Taxes and licenses	3,138	301	2	2	2	2	133	-	472	4,052	6,766
Telephone	6,596	14,527	9,574	4,744	5,885	4,405	7,599	2,163	-	55,493	41,971
Utilities	93,334	51,795	34,157	49,296	28,128	21,977	56,123	3,827	-	338,637	311,354
Vehicles	682	671	671	671	671	671	671	-	-	4,708	3,705
Total	\$ 1,802,501	\$ 932,970	\$ 698,870	\$ 800,669	\$ 626,433	\$ 483,571	\$ 617,540	\$ 190,352	\$ 1,959	\$ 6,154,865	\$ 5,511,979

See independent auditor's report on additional information.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - RECYCLING CENTER

WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION

**YEAR ENDED DECEMBER 31, 2022
(With comparative totals for 2021)**

	Total Recycling Center Expenses 2022	Total Recycling Center Expenses 2021
Amortization of right-to-use-assets	\$ 111,545	\$ 98,702
Bank charges	198	3,097
Contracted services	121,152	57,064
Convention travel	1,160	69
Credit cards	680	369
Depreciation	21,673	18,934
Donations in-kind	1,451	2,136
Drug free program	977	1,347
Emergency disaster work	-	3,798
Insurance	37,018	35,914
Interest	33,480	19,861
Janitorial	711	979
Meals	279	264
Personnel benefits	43,246	44,814
Personnel costs	528,044	489,312
Postage	-	12
Rent	4,644	14,630
Repairs and maintenance	35,532	33,968
Supplies and small equipment	5,321	2,845
Taxes and licenses	1,319	2,346
Telephone	9,726	6,794
Utilities	19,247	13,987
Vehicles	148,418	120,090
Total	\$ 1,125,821	\$ 971,332

See independent auditor's report on additional information.