

**CONSOLIDATED FINANCIAL STATEMENTS**

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

**DECEMBER 31, 2023**

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**BROWN  
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& Company, P.A.**

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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 affiliate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 affiliate as of December 31, 2023, and the changes in their net assets and their 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. 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 the 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 the 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 the 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 affiliate's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Breun Shontan Pacauter & Company, P.A.*

Pensacola, Florida  
June 7, 2024

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

**DECEMBER 31, 2023**  
**(With comparative totals for 2022)**

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,273,675	\$ 11,240,390
Accounts receivable	10,989	5,851
Contribution receivable	425,000	614,000
Pledges receivable, net	-	40,000
Contributed merchandise inventory	1,141,065	1,156,992
Purchased merchandise inventory	73,783	65,163
Prepaid expenses and deposits	303,768	223,417
Investments	6,417,841	49,142
Operating lease right-of-use assets	783,619	1,051,055
Finance lease right-of-use assets, net	1,234,728	1,347,130
Construction in progress	5,319	85,030
Land, buildings, and equipment, net	<u>13,088,722</u>	<u>12,753,505</u>
 Total assets	 <u>\$ 29,758,509</u>	 <u>\$ 28,631,675</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 214,019	\$ 295,362
Accrued liabilities	388,787	340,748
Accrued compensated absences	188,267	286,905
Operating lease liabilities	765,326	1,055,920
Finance lease liabilities	1,305,542	1,398,100
Notes payable, net	882,083	1,241,040
Contingent notes payable	1,225,243	1,225,243
Deposits payable	10,968	10,843
Deferred revenues	<u>56,940</u>	<u>44,240</u>
 Total liabilities	 5,037,175	 5,898,401
<b>NET ASSETS</b>		
Without donor restrictions	24,282,217	22,019,307
With donor restrictions	<u>439,117</u>	<u>713,967</u>
 Total net assets	 <u>24,721,334</u>	 <u>22,733,274</u>
 Total liabilities and net assets	 <u>\$ 29,758,509</u>	 <u>\$ 28,631,675</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, 2023  
(With comparative totals for 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>CHANGES IN NET ASSETS</b>				
<b>REVENUE AND SUPPORT</b>				
Sales of purchased merchandise (less cost of \$239,711 and \$356,116)	\$ 168,229	\$ -	\$ 168,229	\$ 277,675
Merchandise contributed for sale (less cost of recyclables of \$20,327 and \$11,542)	9,852,049	-	9,852,049	9,791,048
Donated services and noncash contributions	460,136	-	460,136	437,840
Cash contributions and grants	3,577,800	2,150	3,579,950	3,886,575
Interest	411,147	-	411,147	66,679
Investment income	107,184	-	107,184	(4,381)
Gain (loss) on sale of assets	-	-	-	(16,344)
Participation fees	327,163	-	327,163	266,587
Special events (less direct costs of \$8,096 and \$823)	(8,096)	-	(8,096)	8,328
Meal supplement	13,309	-	13,309	-
Other revenue	242,799	-	242,799	189,368
Net assets released from restrictions	<u>277,000</u>	<u>(277,000)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>15,428,720</b>	<b>(274,850)</b>	<b>15,153,870</b>	<b>14,903,375</b>
<b>EXPENSES</b>				
<b>Program services</b>				
Missions	3,321,551	-	3,321,551	2,928,999
Thrift stores	6,667,126	-	6,667,126	6,154,865
Recycling center	<u>1,186,792</u>	<u>-</u>	<u>1,186,792</u>	<u>1,125,821</u>
<b>Total program services</b>	<b>11,175,469</b>	<b>-</b>	<b>11,175,469</b>	<b>10,209,685</b>
<b>Supporting services</b>				
General and administrative	1,107,340	-	1,107,340	1,001,749
Fundraising	<u>883,001</u>	<u>-</u>	<u>883,001</u>	<u>723,732</u>
<b>Total supporting services</b>	<b>1,990,341</b>	<b>-</b>	<b>1,990,341</b>	<b>1,725,481</b>
<b>TOTAL EXPENSES</b>	<b>13,165,810</b>	<b>-</b>	<b>13,165,810</b>	<b>11,935,166</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,262,910</b>	<b>(274,850)</b>	<b>1,988,060</b>	<b>2,968,209</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>22,019,307</b>	<b>713,967</b>	<b>22,733,274</b>	<b>19,765,065</b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 24,282,217</u></b>	<b><u>\$ 439,117</u></b>	<b><u>\$ 24,721,334</u></b>	<b><u>\$ 22,733,274</u></b>

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, 2023**  
**(With comparative totals for 2022)**

	Missions	Thrift Stores	Recycling Center	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Total Expenses 2023	Total Expenses 2022
Accounting and legal	\$ 3,556	\$ 3,750	\$ 750	\$ 8,056	\$ 76,888	\$ 5,834	\$ 82,722	\$ 90,778	\$ 77,280
Advertising	106	136,310	-	136,416	5,117	183,237	188,354	324,770	271,741
Amortization of right-to-use-assets	33,798	-	99,120	132,918	2,482	-	2,482	135,400	142,714
Bank charges	108	13,481	54	13,643	18,467	227	18,694	32,337	34,137
Banquets	4,194	-	-	4,194	1,893	-	1,893	6,087	1,669
Contracted services	273,005	103,652	40,562	417,219	41,151	59,334	100,485	517,704	440,751
Convention travel	7,313	3,999	3,264	14,576	13,082	78	13,160	27,736	26,315
Credit card	4,057	164,220	227	168,504	-	18,919	18,919	187,423	161,873
Depreciation	394,573	164,501	30,264	589,338	9,056	6,290	15,346	604,684	528,510
Direct mail	-	-	-	-	-	510,205	510,205	510,205	435,295
Donations in-kind	448,474	11,662	-	460,136	-	-	-	460,136	437,840
Donations to others	257	497	-	754	2,814	85	2,899	3,653	1,779
Drug free program	3,725	5,705	785	10,215	1,446	45	1,491	11,706	13,028
Dues and subscriptions	15,267	7,279	-	22,546	7,633	1,174	8,807	31,353	25,768
Education and training	17,968	854	-	18,822	8,817	-	8,817	27,639	9,554
Insurance	137,663	382,542	47,255	567,460	10,408	-	10,408	577,868	415,527
Interest	66,496	7,976	21,221	95,693	1,681	-	1,681	97,374	141,505
Janitorial	42,242	20,584	1,434	64,260	4,686	-	4,686	68,946	70,630
Meals	51,542	4,865	405	56,812	7,439	59	7,498	64,310	34,921
Medical	-	-	-	-	-	-	-	-	113
Personnel benefits	133,126	256,293	69,172	458,591	89,401	1,174	90,575	549,166	421,842
Personnel costs	1,143,546	4,167,207	638,470	5,949,223	675,704	71,065	746,769	6,695,992	5,994,117
Postage	544	1,157	-	1,701	5,247	17,429	22,676	24,377	22,257
Rent	18,872	410,564	5,947	435,383	12,441	-	12,441	447,824	410,244
Repairs and maintenance	146,443	260,321	31,108	437,872	67,343	4,304	71,647	509,519	714,608
Supplies and small equipment	51,139	138,380	3,749	193,268	9,088	42	9,130	202,398	166,065
Sustenance	4,500	-	-	4,500	-	-	-	4,500	1,000
Taxes and licenses	2,200	4,917	1,956	9,073	2,188	3,500	5,688	14,761	12,203
Telephone	42,274	41,723	9,279	93,276	19,631	-	19,631	112,907	129,852
Utilities	244,319	347,519	21,407	613,245	11,871	-	11,871	625,116	588,825
Vehicles	30,244	7,168	160,363	197,775	1,366	-	1,366	199,141	203,203
<b>Total</b>	<b>\$ 3,321,551</b>	<b>\$ 6,667,126</b>	<b>\$ 1,186,792</b>	<b>\$ 11,175,469</b>	<b>\$ 1,107,340</b>	<b>\$ 883,001</b>	<b>\$ 1,990,341</b>	<b>\$ 13,165,810</b>	<b>\$ 11,935,166</b>

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, 2023**  
**(With comparative totals for 2022)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,988,060	\$ 2,968,209
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Merchandise contributed for sale, net	(9,852,049)	(9,791,048)
Sales of contributed merchandise	9,867,976	9,722,771
In-kind stock donation	(14,875)	(9,969)
Depreciation	604,684	528,510
Amortization of loan costs	11,711	3,803
Amortization of right-of-use-assets	135,400	142,714
Unrealized (gain) loss on investments	(79,755)	(13,919)
(Gain) loss on sale of property and equipment	-	16,344
(Increase) decrease in operating assets:		
Accounts receivable	(5,138)	(4,347)
Contributions receivable	189,000	(360,000)
Pledges receivable	40,000	40,000
Inventory of purchased goods	(8,620)	20,447
Prepaid expenses	(80,351)	(32,203)
Operating lease right-of-use assets	267,436	276,451
Finance lease right-of-use assets	112,402	173,919
Increase (decrease) in operating liabilities:		
Accounts payable	(81,343)	185,662
Accrued liabilities	48,039	46,165
Accrued compensated absences	(98,638)	21,382
Operating lease liabilities	(290,594)	(276,450)
Deferred revenues	12,825	(4,805)
Net cash provided by operating activities	2,766,170	3,653,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in investments, net	(634,393)	(10,147)
Purchase of property and equipment	(860,190)	(1,108,515)
Purchase of investments	(6,293,559)	-
Proceeds from sale of stock	653,883	9,948
Net cash used by investing activities	(7,134,259)	(1,108,714)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(370,668)	(345,901)
Payments on finance leases	(227,958)	(292,005)
Net cash used by financing activities	(598,626)	(637,906)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,966,715)	1,907,016
Cash and cash equivalents, beginning of year	11,240,390	9,333,374
Cash and cash equivalents, end of year	\$ 6,273,675	\$ 11,240,390

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### 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

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#### NOTE A - ORGANIZATION AND PURPOSE OF OPERATIONS (Continued)

The Mission and the Foundation are affiliated nonprofit organizations by virtue of the fact that they share a common board of directors. The accompanying financial statements of Mission and the Foundation are presented on a consolidated basis for the year ended December 31, 2023 (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.
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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 credit losses. 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 credit losses at December 31, 2023.

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, 2023.

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 pledges receivable at December 31, 2023.

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, 2023. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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, 2022 were \$1,504, zero, and zero, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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, 2023 to be \$460,136.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$324,770 for the year ended December 31, 2023.
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 conjuncture with the Organization's financial statements for the year ended December 31, 2022 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.
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, 2023. 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, 2023.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization's information and tax returns for the years ended December 31, 2021 through 2023 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

22. Leases - Leases are recognized 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.
23. Recent Financial Accounting Pronouncements - During the year ended December 31, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The Standard was applied on a modified retrospective basis. There was no change in net assets as a result of the adoption.
24. Events Occurring After the Reporting Date - The Waterfront Rescue Mission, Inc. has evaluated events and transactions that occurred between December 31, 2023 and June 7, 2024, 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, 2023:

Interest bearing accounts	\$	4,194,547
Non-interest bearing accounts		2,069,978
Cash on hand		<u>9,150</u>
	\$	<u>6,273,675</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### NOTE D - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. 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.

FASB Standards Codification 820, Fair Measurements and Disclosures, establishes a 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; and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. When available, the Company 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. There were no Level 3 inputs during the year ended December 31, 2023.

*Level 1 Fair Value Measurements* - The fair value of the marketable investments is based on quoted market price held by the Organization at year end.

*Level 2 Fair Value Measurements* - The fair value of the brokered certificates of deposit are based on quoted market prices that are not active or model derived valuations in which all significant inputs are observable in active markets.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2023, are as follows:

	Fair Value	Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Trading investments	\$ 2,190,995	\$ 2,190,995	\$ -
Certificates of deposit	4,226,846	-	4,226,846
Total	<u>\$ 6,417,841</u>	<u>\$ 2,190,995</u>	<u>\$ 4,226,846</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Cost, fair value, and unrealized gains for the years ended December 31, 2023 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Trading investments	\$ 2,122,524	\$ 2,190,995	\$ 68,471
Certificates of deposit	<u>4,220,962</u>	<u>4,226,846</u>	<u>5,884</u>
Total	<u>6,343,486</u>	<u>6,417,841</u>	<u>74,355</u>

#### NOTE E - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid \$41,948 in interest during the year ended December 31, 2023. During 2023, the Organization received in-kind stock donations totaling \$14,875.

#### NOTE F - PLEDGES RECEIVABLE

There is no pledges receivable balance at December 31, 2023. Pledges receivable of \$40,000 at December 31, 2022 consist of unconditional promises to give from individuals and private foundations was received in full during 2023.

#### NOTE G - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment owned by the Organization at December 31, 2023 were as follows:

Land	\$ 2,897,392
Buildings and improvements	14,619,493
Leasehold improvements	105,610
Furniture, fixtures, and equipment	2,690,985
Vehicles	<u>521,015</u>
	20,834,495
Less accumulated depreciation	<u>(7,745,773)</u>
	<u>\$ 13,088,722</u>

Depreciation expense for the year ended December 31, 2023 totaled \$604,684.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE H - FINANCIAL ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2023. However, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of December 31, 2023 have not been subtracted as unavailable.

Financial assets, at year-end	\$ 13,127,505
Less those unavailable for general expenditures within one year, due to:	
Subject to satisfaction of donor restrictions	<u>(439,117)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,688,388</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 I - NOTE PAYABLE

The Organization's note payable as of December 31, 2023 is as follows:

The Mission:

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 \$4,854,325	\$ 914,580
Less, unamortized debt issuance costs	<u>(32,497)</u>
	<u>\$ 882,083</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE I - NOTES PAYABLE (Continued)

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

<u>Year Ending December 31,</u>	<u>Amounts</u>
2024	\$ 67,673
2025	70,715
2026	743,695
2027	-
2028	-
Thereafter	-
	<u>\$ 882,083</u>

Interest expense related to the notes payable for the year ended December 31, 2023 was \$97,347, including loan amortization of \$1,064.

#### 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 \$3,955,204. 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 J - 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, 2023.

**NOTE K - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2023:

Estate receivable	\$	425,000
Other purposes		14,117
	<b>\$</b>	<b>439,117</b>

**NOTE L - CHANGES IN CONSOLIDATED NET ASSETS**

Changes in the consolidated net assets relating to the Mission and affiliate for the year ended December 31, 2023 are as follows:

	Mission	Foundation	Total
Net assets without donor restrictions:			
Balance, December 31, 2022	\$ 20,952,970	\$ 1,066,337	\$ 22,019,307
Changes in net assets without donor restrictions	2,212,011	50,899	2,262,910
Balance, December 31, 2023	\$ 23,164,981	\$ 1,117,236	\$ 24,282,217
	Mission	Foundation	Total
Net assets with donor restrictions:			
Balance, December 31, 2022	\$ 713,967	\$ -	\$ 713,967
Changes in net assets with donor restrictions	(274,850)	-	(274,850)
Balance, December 31, 2023	\$ 439,117	\$ -	\$ 439,117

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE M - NONCASH CONTRIBUTIONS

Donated food and other goods and services for the fiscal year ended December 31, 2023, included in the consolidated financial statements, were as follows:

Clothing	\$ 24,544
Food	323,931
Items to the needy	11,661
Furniture	<u>100,000</u>
	<u>\$ 460,136</u>

#### 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 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 October 2022. The subtenant is leasing approximately 1,500 square feet for \$10,000 due monthly expiring in September 30, 2027. 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 was due monthly through February 2023. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION**

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**NOTE N - SUBLEASE RENTAL INCOME (continued)**

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

Year Ending December 31,	Amounts
2024	\$ 171,600
2025	171,600
2026	172,890
2027	143,148
2028	53,148
Thereafter	173,090
	\$ 885,476

The following is a summary of the leased property in service at December 31, 2023:

Land	\$ 96,241
Land improvements	12,156
Buildings and improvements	1,563,148
Equipment	1,980
	1,673,525
Less accumulated depreciation	(412,147)
	\$ 1,261,378

Rental revenue and expenses for the year ended December 31, 2023 were as follows:

Revenues	\$ 210,728
Expenses	
Depreciation	49,663
Insurance	16,557
Repairs and maintenance	12,775
Utilities	31,655
	110,650
Net rental income	\$ 100,078

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE O - 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, 2023 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, 2023 for this facility was \$44,400.

The Organization leased seven vehicles during 2023. Rent expense for the year ended December 31, 2023 for these vehicles was \$120,695. The leases on the vehicles expire in April 2026 for one vehicle, 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, 2023 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, 2023 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, 2023 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, 2023 was \$2,937.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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#### NOTE O - LEASES (Continued)

The Organization recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or for leases that contain a purchase option that is reasonably certain to be exercised. The Organization used one or more practical expedients, including short-term leases with terms twelve months or less to remain off the Organization's Statement of Financial Position. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of December 31, 2023:

Operating Leases:	
Operating lease right-of-use-assets	<u>\$ 783,619</u>
Current operating lease liabilities	\$ 310,662
Noncurrent operating lease liabilities	<u>454,664</u>
Total operating lease liabilities	<u>\$ 765,326</u>
Finance Leases:	
Finance lease right-of-use-assets	\$ 1,370,128
Accumulated amortization	<u>(135,400)</u>
Finance lease right-of-use-assets, net	<u>\$ 1,234,728</u>
Current finance lease liabilities	\$ 123,937
Noncurrent finance lease liabilities	<u>1,181,605</u>
Total finance lease liabilities	<u>\$ 1,305,542</u>

Right-of-use assets obtained in exchange for new operating and finance lease liabilities during the year ended December 31, 2023 totaled \$0 and \$22,998, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE O - LEASES (Continued)**

The following summarized the weighted average remaining lease term, discount rate, and lease costs as of December 31, 2023:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Average monthly payment	\$ 13,975	\$ 1,724
Average number of payments remaining	29	90
Average discount rate	3%	3%
Total right to use lease asset	\$ 783,619	\$ 1,234,728
Total right to use lease liability	\$ 765,326	\$ 1,305,542
Total cash paid	\$ 335,393	\$ 227,958

At December 31, 2023, 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:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 340,497	\$ 185,626
2025	343,049	184,034
2026	126,350	142,876
2027	-	111,056
2028	-	81,328
Thereafter	-	<u>1,687,500</u>
Total lease payments	809,896	2,392,420
Less: interest	<u>(44,570)</u>	<u>(1,086,878)</u>
Present value of lease liabilities	<u>\$ 765,326</u>	<u>\$ 1,305,542</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

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#### NOTE O - LEASES (Continued)

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the year ended December 31, 2023:

Operating lease expense, included in rent	<u>\$ 290,594</u>
Finance lease costs:	
Amortization of lease assets	\$ 135,400
Interest on lease liabilities	<u>44,854</u>
Total finance lease costs	<u>\$ 180,254</u>

#### 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 \$1,258,999 at December 31, 2023.

#### 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 \$14,143 to the Plan for the year ended December 31, 2023.

## **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, 2023, and our report thereon dated June 7, 2024, 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  
June 7, 2024

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES - MISSIONS**  
**WATERFRONT RESCUE MISSION, INC. AND AFFILIATED ORGANIZATION**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With comparative totals for 2022)**

	Pensacola Mission	Mobile Mission	Career Development	Recovery Center	Total Mission Expenses 2023	Total Mission Expenses 2022
Accounting and legal	\$ 2,806	\$ -	\$ -	\$ 750	\$ 3,556	\$ 1,189
Advertising	-	106	-	-	106	6,024
Amortization of right-to-use-assets	31,436	2,362	-	-	33,798	28,687
Bank Charges	9	99	-	-	108	82
Banquets	425	425	-	3,344	4,194	384
Contracted services	163,348	87,331	1,698	20,628	273,005	87,470
Convention travel	2,502	3,779	17	1,015	7,313	4,685
Credit cards	2,035	2,022	-	-	4,057	2,924
Depreciation	207,909	155,009	6,067	25,587	394,572	361,467
Donations in-kind	252,832	195,643	-	-	448,475	387,141
Donations to others	257	-	-	-	257	39
Drug free program	1,668	813	196	1,048	3,725	2,914
Dues and subscriptions	4,823	7,596	-	2,848	15,267	10,918
Education and training	7,380	1,341	1,810	7,437	17,968	4,098
Insurance	61,085	52,132	8,512	15,934	137,663	123,050
Interest	24,367	42,129	-	-	66,496	98,720
Janitorial	25,518	13,816	157	2,751	42,242	46,947
Meals	28,726	15,317	-	7,499	51,542	25,853
Medical	-	-	-	-	-	113
Personnel benefits	90,264	19,569	1,920	21,373	133,126	92,120
Personnel costs	618,813	299,412	47,125	178,196	1,143,546	1,021,669
Postage	335	145	12	52	544	1,041
Rent	8,950	8,202	40	1,680	18,872	2,659
Repairs and maintenance	85,651	46,862	8,482	5,448	146,443	234,113
Supplies and small equipment	27,211	14,185	1,168	8,575	51,139	58,551
Sustenance	-	-	-	4,500	4,500	1,000
Taxes and licenses	1,246	369	243	342	2,200	3,506
Telephone	14,808	14,003	2,757	10,706	42,274	41,017
Utilities	114,385	106,165	11,104	12,665	244,319	230,573
Vehicles	21,056	6,854	526	1,808	30,244	50,045
<b>Total</b>	<b>\$ 1,799,845</b>	<b>\$ 1,095,686</b>	<b>\$ 91,834</b>	<b>\$ 334,186</b>	<b>\$ 3,321,551</b>	<b>\$ 2,928,999</b>

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, 2023**

**(With comparative totals for 2022)**

	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 2023	Total Thrift Store Expenses 2022
Accounting and legal	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ 3,750	\$ 1,344
Advertising	34,516	19,269	15,888	14,761	11,379	9,125	12,233	19,139	-	136,310	138,850
Bank charges	2,783	1,933	1,765	1,699	1,532	2,308	1,461	-	-	13,481	12,922
Contracted services	24,995	12,376	10,023	22,631	5,625	8,488	9,895	9,619	-	103,652	166,204
Convention travel	408	330	330	330	638	1,533	430	-	-	3,999	11,473
Credit cards	47,572	26,064	26,180	18,976	17,216	16,330	11,882	-	-	164,220	141,822
Depreciation	46,409	51,163	28,101	6,236	16,868	5,087	6,316	2,834	1,487	164,501	133,294
Donations in-kind	1,666	1,666	1,666	1,666	1,666	1,666	1,666	-	-	11,662	10,920
Donations to others	71	71	71	71	71	71	71	-	-	497	433
Drug free program	1,520	585	495	1,035	1,125	270	675	-	-	5,705	8,955
Dues and subscriptions	157	322	157	157	157	157	322	5,850	-	7,279	6,613
Education and training	122	122	122	122	122	122	122	-	-	854	98
Insurance	108,235	59,380	48,006	59,548	38,922	43,711	16,171	8,569	-	382,542	256,389
Interest	-	-	-	-	-	5,017	2,959	-	-	7,976	8,567
Janitorial	5,229	4,647	2,806	2,356	2,610	1,750	943	243	-	20,584	18,251
Meals	779	1,143	1,028	429	383	419	540	144	-	4,865	4,485
Personnel benefits	90,091	24,067	43,758	14,181	23,947	18,058	26,844	15,347	-	256,293	210,273
Personnel costs	1,275,026	595,688	505,650	533,286	432,583	334,653	341,781	148,540	-	4,167,207	3,733,336
Postage	171	180	166	160	160	160	160	-	-	1,157	736
Rent	5,065	2,913	5,506	193,687	3,530	53,800	145,676	387	-	410,564	388,708
Repairs and maintenance	58,499	51,871	23,492	33,648	44,555	27,143	19,344	1,769	-	260,321	402,505
Supplies and small equipment	40,947	16,109	16,234	14,883	11,532	10,315	12,020	16,340	-	138,380	95,797
Taxes and licenses	3,333	331	32	92	32	32	32	-	1,033	4,917	4,052
Telephone	6,359	6,704	7,151	5,794	4,959	3,464	6,686	606	-	41,723	55,493
Utilities	91,133	46,869	33,598	52,480	29,556	26,269	62,483	5,131	-	347,519	338,637
Vehicles	1,044	1,025	1,011	1,011	1,011	1,021	1,045	-	-	7,168	4,708
<b>Total</b>	<b>\$ 1,849,130</b>	<b>\$ 924,828</b>	<b>\$ 773,236</b>	<b>\$ 979,239</b>	<b>\$ 650,179</b>	<b>\$ 571,719</b>	<b>\$ 681,757</b>	<b>\$ 234,518</b>	<b>\$ 2,520</b>	<b>\$ 6,667,126</b>	<b>\$ 6,154,865</b>

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, 2023**  
**(With comparative totals for 2022)**

	Total Recycling Center Expenses 2023	Total Recycling Center Expenses 2022
Accounting and legal	\$ 750	\$ -
Amortization of right-to-use-assets	99,120	111,545
Bank charges	54	198
Contracted services	40,562	121,152
Convention travel	3,264	1,160
Credit cards	227	680
Depreciation	30,264	21,673
Donations in-kind	-	1,451
Drug free program	785	977
Insurance	47,255	37,018
Interest	21,221	33,480
Janitorial	1,434	711
Meals	405	279
Personnel benefits	69,172	43,246
Personnel costs	638,470	528,044
Rent	5,947	4,644
Repairs and maintenance	31,108	35,532
Supplies and small equipment	3,749	5,321
Taxes and licenses	1,956	1,319
Telephone	9,279	9,726
Utilities	21,407	19,247
Vehicles	160,363	148,418
	<u>1,186,792</u>	<u>1,125,821</u>
Total	<u>\$ 1,186,792</u>	<u>\$ 1,125,821</u>

See independent auditor's report on additional information.