REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR

VAPOR MINISTRIES

DECEMBER 31, 2023

VAPOR MINISTRIES
TABLE OF CONTENTS
DECEMBER 31, 2023

VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vapor Ministries
Sylacauga, Alabama

Opinion

We have audited the accompanying consolidated financial statements of Vapor Ministries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023, the related consolidated 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vapor Ministries as of December 31, 2023, and the changes in its 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 Financial Statements section of our report. We are required to be independent of the 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 Financial Statements

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

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 combined financial statements are available to be issued.

208 W. Park Ave., Valdosta, GA 31602 Telephone: 229-247-8005, Fax: 229-247-8998

Auditor's Responsibilities for the Audit of the 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 combined 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 combined 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 combined 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Vapor Ministries taken as a whole. The combining financial schedules of Vapor Ministries are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

July 29, 2024

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

Cash and cash equivalents:		
Unrestricted	$	4,745,684
Restricted		528,978
Total cash and cash equivalents		5,274,662
Receivables		3,144
Prepaid expenses		36,089
Inventory		433,567
Investments:		
Unrestricted		30,776
Restricted		104,059
Leased assets		2,987,545
Property and equipment, net		8,039,542
TOTAL ASSETS	$	16,909,384

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	$	356,277
Lease liabilities		2,987,545
Total liabilities		3,343,822
Net Assets		
Without donor restrictions		11,298,929
With donor restrictions		2,266,633
Total net assets		13,565,562
TOTAL LIABILITIES AND NET ASSETS	$	16,909,384

See accompanying notes to the financial statements.

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions:			
Cash	$ 2,266,433	$ 3,750,079	$ 6,016,512
In-kind:			
Thrift store	5,236,076	-	5,236,076
Other	26,883	-	26,883
Sales	5,313,490	-	5,313,490
Cost of goods sold	(5,170,189)	-	(5,170,189)
Investment income	104,362	-	104,362
Other income	17,631	-	17,631
Net assets released from restrictions	3,355,985	(3,355,985)	-
TOTAL REVENUES AND OTHER SUPPORT	11,150,671	394,094	11,544,765
EXPENSES AND LOSSES			
Functional expenses:			
Program:			
Sustainable centers	3,150,211	-	3,150,211
Thrift store	4,116,715	-	4,116,715
Supporting services:			
Management and general	1,678,678	-	1,678,678
Fundraising	429,650	-	429,650
TOTAL EXPENSES	9,375,254	-	9,375,254
CHANGE IN NET ASSETS	1,775,417	394,094	2,169,511
NET ASSETS, BEGINNING OF YEAR	9,523,512	1,872,539	11,396,051
NET ASSETS, END OF YEAR	$ 11,298,929	$ 2,266,633	$ 13,565,562

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program					Supporting Services			
	Sustainable Centers			Thrift		Management			Total
	Africa	Haiti	Subtotal	Store	Total	and General	Fundraising	Total	Expenses
Personnel expenses									
Staff salaries	$ 458,887	$ 375,836	$ 834,723	$ 1,848,988	$ 2,683,711	$ 744,621	$ 72,925	$ 817,546	$ 3,501,257
Payroll taxes	7,312	7,727	15,039	149,962	165,001	44,866	4,521	49,387	214,388
Other employee benefits	74,512	17,049	91,561	125,996	217,557	30,521	-	30,521	248,078
Total personnel expense	540,711	400,612	941,323	2,124,946	3,066,269	820,008	77,446	897,454	3,963,723
Other expenses									
Professional/other fees	91,700	34,931	126,631	222,385	349,016	100,022	3,534	103,556	452,572
Advertising/promotion	35,909	30,782	66,691	40,196	106,887	11,057	34,159	45,216	152,103
Office expenses	182,072	168,489	350,561	105,678	456,239	102,801	14,857	117,658	573,897
Occupancy	62,464	50,763	113,227	711,198	824,425	10,195	2,647	12,842	837,267
Travel	195,920	77,762	273,682	38,151	311,833	80,999	14,087	95,086	406,919
Conferences, conventions	-								
and meetings	15,050	7,375	22,425	1,113	23,538	99,114	153,840	252,954	276,492
Depreciation expense	118,312	118,312	236,624	297,159	533,783	38,763	15,505	54,268	588,051
Insurance	52,372	52,566	104,938	51,947	156,885	103,472	34,491	137,963	294,848
Supplies	154,881	157,754	312,635	145,829	458,464	11,863	67,218	79,081	537,545
Sales tax	5,713	5,310	11,023	354,904	365,927	1,722	-	1,722	367,649
Dues and subscriptions	15,403	12,295	27,698	15,398	43,096	79,432	-	79,432	122,528
Training	85,183	51,967	137,150	4,031	141,181	47,490	11,866	59,356	200,537
Miscellaneous	1,882	1,872	3,754	3,780	7,534	9,478	-	9,478	17,012
Grants/other assistance	247,800	174,049	421,849	-	421,849	162,262	-	162,262	584,111
Total other expenses	1,264,661	944,227	2,208,888	1,991,769	4,200,657	858,670	352,204	1,210,874	5,411,531
Total functional expenses	$ 1,805,372	$ 1,344,839	$ 3,150,211	$ 4,116,715	$ 7,266,926	$ 1,678,678	$ 429,650	$ 2,108,328	$ 9,375,254

See accompanying notes to the financial statements.

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributions and thrift store sales	$ 11,358,131
Payments to employees (or for their benefit) for services provided	(3,963,723)
Payments to vendors	(4,614,951)
Net cash provided by (used in) operating activities	2,779,457
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	75,892
Purchase of fixed assets	(2,222,368)
Net cash provided by (used in) investing activities	(2,146,476)
NET CHANGE IN CASH	632,981
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,641,679
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,274,660

Non cash: Inkind contributions of $5,262,959 were received and the corresponding expense is recorded as $5,236,076 cost of goods sold and $26,883 office expense.

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

The mission of Vapor Ministries is to establish sustainable centers for alleviating poverty and multiplying Christian disciples in third-world environments. Centers for humanitarian aid and disciple-making are in Nairobi, Kenya: N'gong, Kenya; Togoville, Togo; Dilaire, Haiti; Ferrier, Haiti; and Ouanaminthe, Haiti. At these centers, Vapor Ministries provides sustainable employment, provision of clean water, critical care humanitarian aid grants, and education stipends, while also providing impoverished children with free-of-charge sports memberships in discipleship sports leagues and operating various micro-businesses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Vapor Ministries consists of four separate legal entities organized in the United States of America: (1) Vapor Ministries, Inc., (2) Vapor Thrift Store, LLC, (3) Vapor Books, LLC, and (4) Vapor Sports Ministries, Inc. These financial statements present the financial position and activities of these entities on a consolidated basis.

The consolidated entities are related as follows:

- Vapor Ministries, Inc. is the sole owner of Vapor Thrift Store, LLC and Vapor Books, LLC
- Vapor Ministries, Inc. appoints the directors of Vapor Sports Ministries, Inc.

FASB ASC 958-810-25-3 requires consolidation treatment when certain relationships exist. In this case, consolidation is required based on majority ownership of Vapor Thrift Store, LLC and Vapor Books, LLC by Vapor Ministries, Inc. and the ability of Vapor Ministries, Inc. to appoint majority voting interest in the board of directors of Vapor Sports Ministries, Inc., coupled with its economic interest therein.

Additional information regarding the four entities is provided below:

- *Vapor Ministries, Inc.* The entity solicits contributions and makes grants to Vapor Sports Ministries, Inc. to fund the entity's programs. Major sources of revenue are contributions and funding received from Vapor Thrift Store, LLC.

- *Vapor Thrift Store, LLC.* The entity, through the sale of donated, second-hand merchandise, generates resources to fund the program activities of Vapor Ministries, Inc., and, indirectly, Vapor Sports Ministries, Inc.

- *Vapor Books, LLC.* The entity is an Alabama limited liability company organized as of July 30, 2021, under the LLC Law to publish and distribute a book on the life story of the founder of Vapor Ministries and its global mission of serving those experiencing extreme poverty around the world, and to produce documentary films and other media on the global mission and activities of Vapor Ministries.

- *Vapor Sports Ministries, Inc.* The entity builds and operates centers for humanitarian aid and disciple-making. Funding is provided by grants from Vapor Ministries, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The headquarters for the four entities is located at 338 Talladega Springs Rd., Sylacauga, Alabama.

The financial statements of Vapor Ministries have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Vapor Ministries to report information regarding its financial position and activities according to the following net assets classifications:

- *Net assets without donor restrictions.* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Vapor Ministries' management and the board of directors.
- *Net assets with donor restrictions*. Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; these restrictions will be met by actions of Vapor Ministries or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

  Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Vapor Ministries' ongoing humanitarian aid and disciple-making activities and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

Vapor Ministries' cash consists of cash on deposit with banks and small amounts of petty cash. Cash equivalents, if any, represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in an investment portfolio which are invested for long-term purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject Vapor Ministries to concentrations of credit risk consist primarily of cash and cash equivalents. Vapor Ministries maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Vapor Ministries' cash and cash equivalents have been placed with high credit quality financial institutions. Vapor Ministries has not experienced, nor does it anticipate, any losses with respect to such accounts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value Measurement

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Vapor Ministries groups assets at fair value in three levels, based on the markets in which the asset and liabilities are traded, and the reliability of the assumptions used to determine fair market value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included in support until the conditions are met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

Other receivables are recorded at the amount due Vapor Ministries. Discounts are not applied, and no interest is accrued.

Vapor Ministries uses an allowance method to determine uncollectible receivables. No allowance has been recorded based on management's assessment of collectability.

Revenue Recognition

Vapor Ministries recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Vapor Ministries records the following exchange transaction revenue in its consolidated and combining statements of activities and changes in net assets for the year ending December 31, 2023:

Thrift Store sales and other sales of inventory. Vapor Ministries operates three thrift stores, which sell donated merchandise on a retail basis to customers. Vapor Ministries also sells promotional inventory to customers at their headquarters and sells copies of a book that the Organization has published. The performance obligation is the delivery of the goods to the customer. The transaction price is established by management. As each item is individually priced, no allocation of the transaction price is necessary. Vapor Ministries recognizes revenue as the customer pays and takes possession of the merchandise. At the thrift store, only electronic merchandise is sold with the right of return and returns are only allowed within a 48-hour period after the sale. Since refunds are not significant, no liability for probable customer returns is necessary.

Inventory

Thrift store inventory consists of donated merchandise held for sale at the thrift store. Since counting and valuing inventory on hand is impractical, Vapor Ministries estimates and records inventory at December 31st based on average monthly sales during January, February and March of the subsequent year. Other inventory, such as promotional items held at the main office, is valued at cost.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intra-Entity Balances and Transactions Eliminations

Intra-entity eliminations of balances and transactions have been made in consolidating the entities to keep from overstating assets, liabilities, revenues and expenses. These eliminating adjustments are reported on the Combining Schedule of Financial Position and Combining Schedule of Activities in the supplementary information section of the financial statements.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair market value at the date of the donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of estimated useful lives of the assets or the lease term. The useful lives range from three to twenty-seven- and one-half years. Vapor Ministries' policy is to capitalize renewals and betterments acquired for greater than $500 and expense normal repairs and maintenance as incurred. Vapor Ministries' management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable.

Prepaid Expenses and Deferred Revenue

Payments made to vendors that will benefit subsequent periods are recorded as prepaid items. Amounts received that will benefit subsequent periods are recorded as deferred revenue.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Donations

Thrift store merchandise, which consists of donated clothing, household goods, furniture, home improvement items, and various other items, is held for sale at the thrift stores. Contribution revenue is recorded for the value of merchandise donated. Donated merchandise value is based on the amount at which the merchandise is sold. The cost of merchandise sold is, therefore, equal to sales revenue.

In-kind donations, other than thrift store donations, are valued at fair market value as of the date of receipt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vapor Ministries receives volunteer services in furtherance of Vapor Ministries' mission. These services are not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Functional expenses are specifically allocated to the various programs and supporting services whenever practical and, when this is impractical, allocations are made based on time spent on the program or service or the best estimate of management.

Each quarter management allocates staff salary and the associated overhead expenses to programs based on quarterly interviews with each staff person working at the headquarters (Sylacauga office). These interviews are used to determine estimates of where that individual spent his or her time. All activities carried out by the employees at the Sylacauga office which can be directly linked to Vapor Ministries' programs are classified as program expenses. Activities specifically and directly linked to fundraising are recorded as fundraising expenses. Management uses a weighted average of the general-to-program allocation (with the weighting based on total compensation) to allocate the headquarters office overhead expenses.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The entities that make up Vapor Ministries are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, however the organizations are not exempt from tax imposed upon unrelated business activity income. The entities currently have no unrelated business activity income, and accordingly, no provision for income taxes has been recorded. Vapor Ministries does not believe there are any material uncertain tax positions. The entities are no longer subject to U.S. federal income tax examination by tax authorities for years before 2021.

Vapor Thrift Store, LLC and Vapor Books, LLC are single-member limited liability companies, disregarded entities for tax purposes and are consolidated with Vapor Ministries, Inc. for Form 990 filing. A separate Form 990 is filed for Vapor Sports Ministries, Inc.

Under U.S. Internal Revenue Service regulations, Vapor Thrift Store, LLC and Vapor Books, LLC, as disregarded entities, falls under the IRC section 501(c)(3) tax exemption of Vapor Ministries, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Vapor Ministries is a lessee in multiple noncancelable operating leases. If the contract provides Vapor Ministries with the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

Vapor Ministries has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Vapor Ministries has elected to use the practical expedient to not separate lease and non-lease components for real estate.

Vapor Ministries has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the real estate class of assets.

Right-of-use assets and liabilities as of December 31, 2023 are presented as separate line items on the Vapor Ministries' consolidated statements of financial position.

NOTE 3 – AVAILABLITY AND LIQUIDITY

The following represents Vapor Ministries' financial assets on December 31, 2023:

Financial assets at year end:	
Cash and cash equivalents	$ 5,274,662
Accounts receivable	3,144
Investments	104,059
Other asset	30,776
Total financial assets	5,412,641
Less amounts not available to be used within one year:	
Net assets with donor restrictions	2,266,633
Cash held for payment of deferred compensation	528,978
Investments held for payment of deferred compensation	104,059
Investments in a limited liability company	30,776
Less net assets with purpose restrictions to be met in less than one year	(1,504,060)
	1,426,386
Financial assets available to meet general expenditures over the next twelve months	$ 3,986,255

Vapor Ministries strives to maintain the appropriate levels of financial assets to achieve the dual purposes of: (1) ensuring long-term financial integrity and stability, with conservative cash reserve limits for unforeseen circumstances, and (2) ensuring maximum impact of contributed funds, by releasing the correct amounts to pending projects.

Vapor Ministries' goal is to generally maintain financial assets to meet 90 days of operating expenses.

NOTE 4 – RESTRICTED CASH

Restricted cash consists of $2,723 held in a brokerage account for use in providing deferred compensation benefits to an employee and $526,255 held as an endowment, totaling $528,978. Also see Note 7.

NOTE 4 – INVENTORY

The value of the thrift store inventory on December 31, 2023 was $433,567. Other inventory, previously held at the main office, was transferred to an outside organization during the year.

NOTE 6 - RECEIVABLES

Receivables consist of trade receivable of $3,144.

NOTE 7 – INVESTMENTS

Unrestricted investments consist of 2.47% ownership in Pineridge Sports, LLC (a partnership), at an original cost of $45,000 and a capital account basis of $30,776. In the fair value hierarchy of investments, this investment is a Level 3.

Restricted investments, consisting of an account held in a brokerage account (rabbi trust), have been set aside by management for use in providing deferred compensation benefits to an employee. The account consists of fixed income and global equity investments with a fair value of $104,059 (cost basis of $106,782). In the fair value hierarchy, the investment is a Level 1 investment.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Changes in property and equipment, net for the year were as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Land	$ 227,369	$ -	$ -	$ 227,369
Construction in progress	771,449	2,210,368	(1,847,288)	1,134,529
Buildings	2,411,535	-	1,278,180	3,689,715
Land and building improvements	1,025,269	-	-	1,025,269
Leasehold improvements	3,354,163	8,678	326,753	3,689,594
Other assets	1,114,541	3,322	242,355	1,360,218
Total property and equipment	8,904,326	2,222,368	-	11,126,694
Accumulated depreciation for:				
Buildings	(645,882)	(93,386)	-	(739,268)
Land and building improvements	(483,493)	(64,324)	-	(547,817)
Leasehold improvements	(844,189)	(221,558)	-	(1,065,747)
Other assets	(525,536)	(208,784)	-	(734,320)
Total accumulated depreciation	(2,499,100)	(588,052)	-	(3,087,152)
Total property and equipment, net	$6,405,226	$ 1,634,316	$ -	$8,039,542

Depreciation expense for the year was $588,051.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose	Beginning Balance	Increases	Released from Restrictions	Ending Balance
Trips	$ 410	$ 34,601	$ (36,337)	$ (1,326)
Hasmin's Friends	158,879	16,517	(67,608)	107,788
Events	12,500	33,258	(45,058)	700
Thrift Capital Fund	369,024	1,025,152	(74,634)	1,319,542
Activities	-	-	-	-
Africa	36,001	1,777,762	(1,223,405)	590,358
Haiti	732,926	59,469	(622,995)	169,400
Other specified purposes	562,799	803,320	(1,285,948)	80,171
Total	$ 1,872,539	$ 3,750,079	$ (3,355,985)	$ 2,266,633

The above net assets released from restriction were released upon satisfaction of their purpose restriction.

NOTE 10 –SALES INCOME, COST OF GOODS SOLD AND IN-KIND CONTRIBUTIONS

Sales, cost of goods sold, and in-kind contributions are as follows:

Sales income:	
Retail sales	
Thrift store	$ 4,981,033
Other	7,001
Bulk sales - thrift store	190,267
Other sales	135,189
Total sales	$ 5,313,490
Cost of goods sold - thrift store:	
Beginning inventory	$ 367,680
in-kind contributions	5,236,076
Cost of goods available for sale	5,603,756
Ending inventory	(433,567)
Cost of goods sold	$ 5,170,189

NOTE 11 – INTRA-ENTITY TRANSACTIONS AND BALANCES AND ELIMINATIONS IN CONSOLIDATION

Intra-entity transactions:

During the year ended December 31, 2023, the following cash transfers were made between the consolidated entities:

- Vapor Ministries, Inc. received $1,103,981 (net) from Vapor Thrift Stores, LLC to support the entity's programs.
- Vapor Ministries, Inc. transferred $3,233,752 to Vapor Sports Ministries, Inc. to fund programs.

Intra-entity balances:

At December 31, 2023:

- Vapor Thrift Stores, LLC had a payable to Vapor Ministries, Inc. in the amount of $65,464 and Vapor Ministries, Inc. had a corresponding receivable from Vapor Thrift Stores, LLC in the amount of $65,464.
- Vapor Books, LLC had a payable to Vapor Ministries, Inc. in the amount of $48,879 and Vapor Ministries, Inc. had a corresponding receivable from Vapor Books, LLC in the amount of $48,879.
- Vapor Ministries, Inc. had a prepaid amount of $139,142 for amounts paid to Vapor Sports Ministries in 2023 for use in January 2024. Vapor Sports Ministry had a deferred revenue of $139,142 for amounts received in 2023 for use in January 2024.

The revenues, expenses and balances represented by the above have been eliminated in preparing these consolidated financial statements.

NOTE 12 – LEASES

Vapor Ministries leases certain real estate at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2038 and provide for renewal options ranging from three years to fifteen years. Vapor Ministries includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Vapor Ministries' operating leases provide for increases in future minimum annual rental payments. Additionally, some of the operating lease agreements require Vapor Ministries to pay real estate taxes and insurance.

The weighted-average discount rate is based on the discount rate implicit in the lease. Vapor Ministries has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the real estate class of assets.

NOTE 12 – LEASES AND OTHER AGREEMENTS (CONTINUED)

Operating Leases - Thrift stores

Greystone. Vapor Thrift Stores, LLC entered into a 10-year agreement to lease commercial property, located at 5443 Highway 280, Birmingham, Alabama, for use as a retail store. In 2023, the lease was extended another 3 years ending December 31, 2032. The initial lease liability was amended to include the extended period and was recorded in the amount of $2,034,938. As of December 31, 2023, the value of the lease liability was $1,509,563. Vapor Ministries is required to make monthly principal and interest payments that gradually increase over the lease period. The risk-free rate used as the discount is .89%. The building has a useful life of 13 years and the value of the right-to-use asset as of December 31, 2023, was $1,509,896 net of accumulated amortization of $525,042.

Vestavia. Vapor Thrift Stores, LLC entered into a 5-year agreement (with an additional 5-year renewal option) to lease commercial property, located at 1069 Montgomery Highway, Birmingham, Alabama for use as a retail store and a central processing center. The initial lease liability was recorded in the amount of $1,929,276. As of December 31, 2023, the value of the lease liability was $956,789. Vapor Ministries is required to make monthly principal and interest payments that escalate at the rate of the greater of (a) the percentage increase in the Consumer Price Index from March of the previous year to March of the then current year, or (b) 2% each year over the lease period. The 2% increase is used in the calculation of the right-of-use asset and the lease liability. The risk-free rate used as the discount is 2.91%. The building has a useful life of 10 years and the value of the right-to-use asset as of December 31, 2023 was $956,789 net of accumulated amortization of $972,487.

Westover. Vapor Thrift Stores, LLC entered into a 3-year lease ending July 2026 to lease commercial property, located at 11271 US Hwy 280, Sterrett, AL 35147 for use as a retail store and a central processing center. The initial lease liability was recorded in the amount of $201,643. As of December 31, 2023, the value of the lease liability was $174,735. Vapor Ministries is required to make monthly principal and interest payments that gradually increase over the lease period. The risk=free rate used as the discount is 4.10%. The building has a useful life of 3 years and the value of the right-to-use asset as of December 31, 2023 was $174,735 net of accumulated amortization of $26,908.

NOTE 12 – LEASES AND OTHER AGREEMENTS (CONTINUED)

Operating Lease - Foreign Operations

Gichagi Center, Nairobi, Kenya. Vapor Ministries entered into an agreement with Africa Inland Church Registered Trustees, Nairobi, Kenya, to rent land and sports facilities beginning October 1, 2016. The lease agreement expires October 1, 2024, upon which date it is automatically renewable for an additional period of fifteen years through October 1, 2039. The lease is Kshs. 150,000 per month (approximately US $1,500), payable quarterly in advance. The initial lease liability was recorded in the amount of $433,879. As of December 31, 2023, the value of the lease liability was $346,124. Vapor Ministries is required to make monthly principal and interest payments which escalate 5% each year two years over the lease period. The risk-free rate used as the discount is 1.84%. The building has a useful life of 22 years and the value of the right-to-use asset as of December 31, 2023 was $346,124 net of accumulated amortization of $87,755. The book value of leasehold improvements made to this property was $71,757 as of December 31, 2023.

Other Agreements – Foreign Operations

Ouanaminthe, Haiti. On July 15, 2012, Vapor Ministries entered into an agreement with the City of Ouanaminthe, Haiti to make specified improvements to the stadium in exchange for the right to manage and have access to a stadium for Vapor Football Leagues and discipleship for the initial period beginning July 15, 2012 through July 15, 2019 (7 years). The agreement includes three successive options for renewal of the agreement, each for an additional seven years, of which the first of the three 7-year options has been exercised. At the expiration of this agreement, including any renewals, Vapor Ministries shall have no further interest in the stadium and shall surrender the stadium in its existing condition. The Agreement may be extended beyond the terms listed above by amendment by the parties. The book value of leasehold improvements made to this property was $107,114 as of December 31, 2023.

Kawangware Center, Nairobi, Kenya. Vapor Ministries entered into a mutual agreement with World Hope for use of land and facilities owned by World Hope. The agreement expired on May 13, 2019 but has optional extensions in three-year increments. A new agreement is being negotiated but all parties have agreed verbally to continue as is until the new agreement is in place. The book value of leasehold improvements made to this property was $329,593 as of December 31, 2023.

NOTE 12 – LEASE COMMITMENTS (CONTINUED)

For years subsequent to 2023, the present value of future minimum lease payments under the lease agreements are as follows:

Year Ended 12/31	Thrift Stores	Foreign Operations	Total
2024	$ 447,775	$ 21,098	$ 468,873
2025	456,401	21,879	478,280
2026	435,494	22,153	457,647
2027	402,902	22,973	425,875
2028	292,143	23,260	315,403
2029-2033	746,920	126,113	873,033
2034-2038	-	142,134	142,134
2039	-	23,090	23,090
Total payments	$ 2,781,635	$ 402,700	$ 3,184,335
Less amount representing interest expense	(140,214)	(56,576)	(196,790)
Present value of future lease payments	$ 2,641,421	$ 346,124	$ 2,987,545

NOTE 13 – CONCENTRATIONS OF OPERATIONS OUTSIDE THE UNTED STATES OF AMERICA

The carrying amounts of net assets located outside the United States of America as of December 31, 2023 are as follows:

Location	Cash	Property and Equipment, net	Total Net Assets
Kenya	$ 4,595	$ 401,351	$ 405,946
Togo	77,449	787,939	865,388
Haiti	88,684	2,639,011	2,727,695
Total foreign net assets	$ 170,728	$ 3,828,301	$3,999,029

NOTE 14 – ADVERTISING AND PROMOTION

Vapor Ministries generally expenses the cost of advertising and promotion as incurred. Advertising costs incurred for larger projects are not expensed until the initial advertising takes place. For the year ended December 31, 2023, advertising and promotion costs of $152,103 have been expensed.

NOTE 15 – SUBSEQUENT EVENTS

Vapor Ministries has evaluated and considered the need to recognize or disclose subsequent events through July 29, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2023, have not been evaluated by Vapor Ministries.

SUPPLEMENTARY INFORMATION

VAPOR MINISTRIES
COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

	Vapor Ministries, Inc.	Vapor Thrift Store, LLC	Vapor Books, LLC	Intra-Entity Eliminations	Subtotal	Vapor Sports Ministries, Inc.	Intra-Entity Eliminations	Consolidated Total
ASSETS								
Cash:								
Unrestricted	$ 4,264,628	$ 302,171	$ 7,957	$ -	$ 4,574,756	$ 170,928	$ -	$ 4,745,684
Restricted	528,978	-	-	-	528,978	-	-	528,978
Receivables:								
Trade receivable	2,216	928	-		3,144	-	-	3,144
Intra company	114,343	-	-	(114,343)	-	-	-	-
Prepaid expenses	152,231	23,000	-	-	175,231	-	(139,142)	36,089
Inventory	-	433,567	-	-	433,567	-	-	433,567
Investments:								
Unrestricted	30,776	-	-	-	30,776	-	-	30,776
Restricted	104,059	-	-	-	104,059	-	-	104,059
Leased assets	-	2,641,421	-	-	2,641,421	346,124		2,987,545
Property and equipment	2,831,364	2,803,662	-	-	5,635,026	5,491,668	-	11,126,694
Accum. depreciation	(719,147)	(704,638)	-	-	(1,423,785)	(1,663,367)	-	(3,087,152)
TOTAL ASSETS	$ 7,309,448	$ 5,500,111	$ 7,957	$ (114,343)	$ 12,703,173	$ 4,345,353	$ (139,142)	$ 16,909,384
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts payable	$ 78,148	$ 45,110	$ -	$ -	$ 123,258	$ 2,849	$ -	$ 126,107
Accrued salaries and benefits	150,041	80,129	-	-	230,170	-	-	230,170
Deferred revenue	-	-	-	-	-	139,142	(139,142)	-
Intra company	-	65,464	48,879	(114,343)	-	-	-	-
Lease liabilities	-	2,641,421	-	-	2,641,421	346,124	-	2,987,545
Total liabilities	228,189	2,832,124	48,879	(114,343)	2,994,849	488,115	(139,142)	3,343,822
Net Assets:								
Without donor restrictions	4,814,626	2,667,987	(40,922)	-	7,441,691	3,857,238	-	11,298,929
With donor restrictions	2,266,633	-	-	-	2,266,633	-	-	2,266,633
Total net assets	7,081,259	2,667,987	(40,922)	-	9,708,324	3,857,238	-	13,565,562
TOTAL LIABILITIES AND NET ASSETS	$ 7,309,448	$ 5,500,111	$ 7,957	$ (114,343)	$ 12,703,173	$ 4,345,353	$ (139,142)	$ 16,909,384

VAPOR MINISTRIES
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Vapor Ministries, Inc.	Vapor Thrift Store, LLC	Vapor Books, LLC	Intra-Entity Eliminations	Subtotal	Vapor Sports Ministries, Inc.	Intra-Entity Eliminations	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS								
REVENUES, GAINS, AND OTHER SUPPORT								
Contributions	$ 3,370,414	$ -	$ -	$ (1,103,981)	$ 2,266,433	$ 3,233,752	$ (3,233,752)	$ 2,266,433
In-kind contributions	26,883	5,236,076	-	-	5,262,959	-	-	5,262,959
Retail sales	5,825	4,981,033	932	-	4,987,790	244	-	4,988,034
Other sales	12,001	190,267	-	-	202,268	123,188	-	325,456
Cost of goods sold	-	(5,170,189)	-	-	(5,170,189)	-	-	(5,170,189)
Investment income (loss)	104,362	-	-	-	104,362	-	-	104,362
Other income	16,993	638	-	-	17,631	-	-	17,631
Released from restrictions	3,355,985	-	-	-	3,355,985	-	-	3,355,985
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	6,892,463	5,237,825	932	(1,103,981)	11,027,239	3,357,184	(3,233,752)	11,150,671
EXPENSES AND LOSSES								
Functional expenses:								
Program expense	3,845,107	-	-	-	3,845,107	2,538,856	(3,233,752)	3,150,211
Vapor Thrift Store	22,707	5,197,989	-	(1,103,981)	4,116,715	-	-	4,116,715
Supporting services:								
Management and general	1,678,678	-	-	-	1,678,678	-	-	1,678,678
Fundraising	429,599	-	51		429,650	-	-	429,650
TOTAL EXPENSES AND LOSSES	5,976,091	5,197,989	51	(1,103,981)	10,070,150	2,538,856	(3,233,752)	9,375,254
CHANGE IN NET ASSETS	916,372	39,836	881	-	957,089	818,328	-	1,775,417
NET ASSETS, BEGINNING OF YEAR	3,898,254	2,628,151	(41,803)	-	6,484,602	3,038,910	-	9,523,512
NET ASSETS, END OF YEAR	$ 4,814,626	$ 2,667,987	$ (40,922)	$ -	$ 7,441,691	$ 3,857,238	$ -	$ 11,298,929
NET ASSETS WITH DONOR RESTRICTIONS								
REVENUES								
Contributions	$ 3,750,079	$ -	$ -	$ -	$ 3,750,079	$ -	$ -	$ 3,750,079
Released from restrictions	(3,355,985)	-	-	-	(3,355,985)	-	-	(3,355,985)
CHANGE IN NET ASSETS	394,094	-	-	-	394,094	-	-	394,094
NET ASSETS, BEGINNING OF YEAR	1,872,539	-	-	-	1,872,539	-	-	1,872,539
NET ASSETS, END OF YEAR	$ 2,266,633	$ -	$ -	$ -	$ 2,266,633	$ -	$ -	$ 2,266,633
TOTAL NET ASSETS END OF YEAR	$ 7,081,259	$ 2,667,987	$ (40,922)	$ -	$ 9,708,324	$ 3,857,238	$ -	$ 13,565,562