



LETTER FROM MANAGEMENT

Vapor Ministries 2021 Audited Financial Statements

Baker Ellis
Vapor Ministries Manager of Finance

Dear Friend,

By the grace of God, we had a fruitful year in 2021. Millions of cups of clean water provided, hundreds of thousands of meals served to some of the world's most needy, healthcare services offered through multiple channels, and the name of Christ proclaimed throughout the nations. We continue to see holistic community transformation taking place in the communities in which we serve, and look toward the future with anticipation for what the Lord will continue to do through Vapor Ministries.

Some highlights from 2021 include

- More than 55 million cups of water provided
- More than 1 million meals served
- More than 213,000 health services provided
- More than 566,000 gospel impressions made

Thank you for taking the time to review our 2021 financial information and results. I would like to call your attention to a few items as you review our audited financial statements and accompanying notes and supplemental information.

Vapor Ministries is an Alabama 501(c)3 nonprofit corporation, with EIN 26-4463549. This organization receives charitable contributions and is governed by our board, as listed on our website. This organization is the sole owner and fully-controlling member of the single member LLC, Vapor Thrift Store, which is the legal entity under which our stateside thrift stores operate. For the purposes of tax reporting, these two entities are rolled into a single 2021 990, under the name and EIN above.

In August of 2021, Vapor Books LLC was formed to fulfill multiple purposes, including the publishing and distribution of a book on the life of the founder of Vapor Ministries – Micah McElveen, and the ministry's global mission of serving those experience extreme poverty around the world, as well as the potential production of documentary films and other media related to the global mission. The single member of the LLC is Vapor Ministries, and for the purposes of tax reporting, Vapor Books LLC, is also rolled into the single 990 listed above.



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Vapor Ministries 2021 Audited Financial Statements

Our original incorporating entity, based in Missouri, with EIN 03-0566373, still exists and is a wholly-owned, wholly-controlled subsidiary of Vapor Ministries. This organization has no stateside employees, but the officers of Vapor Ministries serve as the board and officers of this organization, which receives grants from Vapor Ministries and executes operations through staff in Kenya, Togo, and Haiti.

As per GAAP requirements, all four of these organizations have been consolidated in the following audited financial statements. To make a direct comparison between the numbers found in the Vapor Ministries 990 as listed on our website, and the audited financial statements, please refer to the Combining Schedule of Financial Position and Combining Schedule of Activities on pages 19 and 20, respectively. The 990 for the Missouri corporation consists of grant revenue from Vapor Ministries and actual expenses overseas, and is available upon request.

God bless,

A handwritten signature in black ink, appearing to read 'Baker Ellis', written in a cursive style.

Baker Ellis
Manager of Finance

REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR

VAPOR MINISTRIES

DECEMBER 31, 2021

VAPOR MINISTRIES
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DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vapor Ministries
Sylacauga, Alabama

We have audited the accompanying consolidated financial statements of Vapor Ministries, which comprise the consolidated statements of financial position as of December 31, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

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 25, 2022

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

Cash and cash equivalents:	
Unrestricted	\$ 5,519,839
Restricted	<u>26,115</u>
Total cash and cash equivalents	5,545,954
Receivables	180,879
Prepaid expenses	61,715
Other current assets	48
Inventory	276,065
Investments:	
Unrestricted	41,563
Restricted	26,317
Property and equipment, net	<u>3,972,407</u>
 TOTAL ASSETS	 \$ <u><u>10,104,948</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ <u>282,366</u>
Total liabilities	<u>282,366</u>
Net Assets	
Without donor restrictions	6,009,601
With donor restrictions	<u>3,812,981</u>
Total net assets	<u>9,822,582</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>10,104,948</u></u>

See accompanying notes to the financial statements.

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions:			
Cash	\$ 1,561,848	\$ 4,370,247	\$ 5,932,095
In-kind:			
Thrift store	3,020,019	-	3,020,019
Other	18,602	-	18,602
Sales	3,114,094	-	3,114,094
Cost of goods sold	(2,988,786)	-	(2,988,786)
Other income	56,104	-	56,104
Net assets released from restrictions	<u>1,832,631</u>	<u>(1,832,631)</u>	<u>-</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>6,614,512</u>	 <u>2,537,616</u>	 <u>9,152,128</u>
EXPENSES AND LOSSES			
Functional expenses:			
Program:			
Sustainable centers	2,099,703	-	2,099,703
Thrift store	2,156,394	-	2,156,394
Supporting services:			
Management and general	1,218,006	-	1,218,006
Fundraising	<u>462,536</u>	<u>-</u>	<u>462,536</u>
 TOTAL EXPENSES	 <u>5,936,639</u>	 <u>-</u>	 <u>5,936,639</u>
 CHANGE IN NET ASSETS	 677,873	 2,537,616	 3,215,489
 NET ASSETS, BEGINNING OF YEAR	 <u>5,331,728</u>	 <u>1,275,365</u>	 <u>6,607,093</u>
 NET ASSETS, END OF YEAR	 <u>\$ 6,009,601</u>	 <u>\$ 3,812,981</u>	 <u>\$ 9,822,582</u>

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program					Supporting Services			Total Expenses	
	Sustainable Centers			Thrift	Total	Management and General		Fundraising		Total
	Africa	Haiti	Subtotal	Store		and General	Fundraising			
Personnel expenses										
Staff salaries	\$ 372,046	\$ 253,879	\$ 625,925	\$ 959,149	\$ 1,585,074	\$ 485,691	\$ 65,687	\$ 551,378	\$ 2,136,452	
Payroll taxes	5,611	5,490	11,101	75,422	86,523	34,276	4,603	38,879	125,402	
Other employee benefits	7,385	3,829	11,214	11,679	22,893	31,797	-	31,797	54,690	
Total personnel expense	<u>385,042</u>	<u>263,198</u>	<u>648,240</u>	<u>1,046,250</u>	<u>1,694,490</u>	<u>551,764</u>	<u>70,290</u>	<u>622,054</u>	<u>2,316,544</u>	
Other expenses										
Professional/other fees	21,457	5,400	26,857	111,799	138,656	38,633	10,805	49,438	188,094	
Advertising/promotion	35,677	32,426	68,103	2,008	70,111	260,972	116,917	377,889	448,000	
Office expenses	135,764	81,679	217,443	54,901	272,344	46,802	22,204	69,006	341,350	
Occupancy	59,303	40,047	99,350	552,350	651,700	8,013	2,742	10,755	662,455	
Travel	95,671	49,178	144,849	32,225	177,074	83,152	24,497	107,649	284,723	
Conferences, conventions and meetings	23	1,382	1,405	-	1,405	57,454	145,513	202,967	204,372	
Depreciation expense	102,912	102,912	205,824	65,247	271,071	27,920	11,498	39,418	310,489	
Insurance	42,377	42,377	84,754	28,454	113,208	81,651	32,005	113,656	226,864	
Supplies	131,128	82,799	213,927	43,439	257,366	(11,986)	22,434	10,448	267,814	
Sales tax	3,972	4,179	8,151	211,393	219,544	243	-	243	219,787	
Dues and subscriptions	6,155	3,009	9,164	6,885	16,049	58,152	264	58,416	74,465	
Training	23,295	17,601	40,896	1,443	42,339	10,048	3,367	13,415	55,754	
Grants/other assistance	197,660	133,080	330,740	-	330,740	5,188	-	5,188	335,928	
Total other expenses	<u>855,394</u>	<u>596,069</u>	<u>1,451,463</u>	<u>1,110,144</u>	<u>2,561,607</u>	<u>666,242</u>	<u>392,246</u>	<u>1,058,488</u>	<u>3,620,095</u>	
Total functional expenses	<u>\$1,240,436</u>	<u>\$ 859,267</u>	<u>\$ 2,099,703</u>	<u>\$ 2,156,394</u>	<u>\$ 4,256,097</u>	<u>\$1,218,006</u>	<u>\$ 462,536</u>	<u>\$ 1,680,542</u>	<u>\$ 5,936,639</u>	

See accompanying notes to the financial statements.

VAPOR MINISTRIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributions	\$8,939,094
Payments to employees (or for their benefit) for services provided	(2,316,544)
Payments to vendors	<u>(3,111,056)</u>
Net cash provided by (used in) operating activities	<u>3,511,494</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	2,122
Purchase of fixed assets	<u>(656,316)</u>
Net cash provided by (used in) investing activities	<u>(654,194)</u>

NET CHANGE IN CASH 2,857,300

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,688,654

CASH AND CASH EQUIVALENTS, END OF YEAR \$5,545,954

See accompanying notes to the financial statements.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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; 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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The headquarters for the three 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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 values 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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021:

Thrift Store sales and other sales of inventory. Vapor Ministries operates two 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 good 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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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. 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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 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 2019.

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.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents Vapor Ministries' financial assets on December 31, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 5,545,954
Accounts receivable	180,879
Investments	26,317
Other asset	<u>41,563</u>
Total financial assets	<u>5,794,713</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	3,812,981
Cash held for payment of deferred compensation	26,115
Investments held for payment of deferred compensation	26,317
Investments in a limited liability company	41,563
Less net assets with purpose restrictions to be met in less than one year	<u>(2,272,777)</u>
	<u>1,634,199</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,160,514</u>

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 \$26,115 held in a mutual fund for use in providing deferred compensation benefits to an employee. Also see Note 7.

NOTE 4 – INVENTORY

The value of the thrift store inventory on December 31, 2021 was \$247,718. Other inventory, held at the main office and consisting of promotional items, is valued at \$28,347 (cost basis).

NOTE 6 - RECEIVABLES

Receivables consist of amounts held in a money market account by another nonprofit organization on behalf of Vapor Ministries in the amount of \$154,387 and trade receivable of \$26,492, totaling \$180,879.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 – INVESTMENTS

Unrestricted investments consist of 2.7% ownership in Pineridge Sports, LLC (a partnership), at original cost of \$45,000 and a capital account basis of \$41,563. In the fair value hierarchy of investments, this investment is a Level 3.

Restricted investments consist of an account held in a brokerage account (rabbi trust), has been set aside by management for use in providing deferred compensation benefits to an employee. The account totaling \$54,432, consists of cash in the amount of \$26,115 and a mutual fund with a fair value of \$26,317 (cost basis of \$24,014). In the fair value hierarchy, the investment is a Level 1.

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	81,027	640,873	(89,582)	632,318
Buildings	1,991,655	30,448	-	2,022,103
Land and building improvements	837,586	-	-	837,586
Leasehold improvements	1,756,885	-	-	1,756,885
Other assets	610,504	74,577	-	685,081
Total property and equipment	<u>5,505,026</u>	<u>745,898</u>	<u>(89,582)</u>	<u>6,161,342</u>
Accumulated depreciation for:				
Buildings	(491,769)	(74,888)	-	(566,657)
Land and building improvements	(379,211)	(52,471)	-	(431,682)
Leasehold improvements	(621,644)	(112,057)	-	(733,701)
Other assets	(385,823)	(71,072)	-	(456,895)
Total accumulated depreciation	<u>(1,878,447)</u>	<u>(310,488)</u>	<u>-</u>	<u>(2,188,935)</u>
Total property and equipment, net	<u>\$3,626,579</u>	<u>\$435,410</u>	<u>\$ (89,582)</u>	<u>\$3,972,407</u>

Depreciation expense for the year was \$310,488..

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 1,395	\$ 16,111	\$ (13,611)	\$ 3,895
Hasmin's Friends	57,509	293,773	(246,346)	104,936
Events	8,471	217,034	(225,505)	-
Thrift Capital Fund	323,633	2,015,800	(169,140)	2,170,293
Activities	-	1,633	(1,633)	-
Africa	116,239	344,732	(372,498)	88,473
Haiti	661,047	1,418,218	(737,881)	1,341,384
Other specified purposes	107,071	62,946	(66,017)	104,000
Total	<u>\$ 1,275,365</u>	<u>\$ 4,370,247</u>	<u>\$ (1,832,631)</u>	<u>\$ 3,812,981</u>

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	\$ 2,815,743
Other	35,185
Bulk sales - thrift store	168,884
Other sales	94,282
Total sales	<u>\$ 3,114,094</u>

Cost of goods sold - thrift store:

Beginning inventory	\$ 212,325
in-kind contributions	3,020,020
Cost of goods available for sale	3,232,345
Ending inventory	(247,718)
Cost of goods sold	<u>\$ 2,984,627</u>

The cost of goods sold for Vapor Books, LLC is \$4,159.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Intra-entity transactions:

During the year ended December 31, 2021, the following cash transfers were made between the consolidated entities:

- Vapor Thrift Store, LLC transferred \$680,949 to Vapor Ministries, Inc. to support the entity's programs.
- Vapor Ministries, Inc. transferred \$1,702,052 to Vapor Sports Ministries, Inc. to fund programs.
- Vapor Ministries, Inc. transferred \$78,475 to Vapor Books, LLC to support the publishing, promotion and distribution of books.

Intra-entity balances:

At December 31, 2021:

- Vapor Thrift Stores, LLC had a payable to Vapor Ministries, Inc. in the amount of \$71,114 and Vapor Ministries, Inc. had a corresponding receivable from Vapor Thrift Stores, LLC in the amount of \$71,114.
- Vapor Books, LLC had a payable to Vapor Ministries, Inc. in the amount of \$49,441 and Vapor Ministries, Inc. had a corresponding receivable from Vapor Books, LLC in the amount of \$49,441.
- Vapor Ministries, Inc. had a prepaid amount of \$151,104 for amounts paid to Vapor Sports Ministries in 2021 for use in January 2022. Vapor Sports Ministry had deferred revenue of \$151,104 for amounts received in 2021 for use in January 2022.

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

NOTE 12 – LEASE COMMITMENTS

Thrift stores

Vapor Thrift Stores, LLC leases commercial property, located at 5443 Highway 280, Birmingham, Alabama, for use as a retail store (Greystone). The lease expires December 31, 2029. The lease amount was \$12,063 per month and lease payments totaling \$144,448 were paid during 2021. Lease payments (including \$1,300 for property taxes and insurance) are as follows: \$12,386 for 2022, \$12,719 for 2023, \$13,062 for 2024, \$13,414 for 2025, \$13,778 for 2026, \$14,152 for 2027, \$14,538 for 2028 and \$14,935 for 2029.

Vapor Thrift Stores, LLC leases commercial property, located at 1069 Montgomery Highway, Birmingham, Alabama for use as a retail store (Vestavia) and a central processing center. The lease expires June 30, 2023. The lease amount is \$16,747 from July 1, 2020 to June 30, 2021, \$17,250 from July 1, 2021 to June 30, 2022 and \$17,767 from July 1, 2022 to June 30, 2023. Vapor Thrift Stores, LLC is also obligated to pay property taxes and insurance which varies in amount from year to year. Lease payments, property taxes and insurance totaling \$222,824 (\$186,329 – thrift store and \$36,495 – Central Processing Center) were paid/incurred during 2021.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 – LEASE COMMITMENTS (CONTINUED)

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 \$144,883 as of December 31, 2021.

Due to renovations at the facilities above, Vapor Ministries entered into a one-year lease agreement to rent off-campus facilities for the Regional Director's family for which \$12,500 was paid for the period of March 2021 to March 2022.

Gichagi Center, Nairobi, Kenya. Vapor Ministries had an agreement with Africa Inland Church Registered Trustees, Nairobi, Kenya, to rent land and sports facilities. The lease expires October 1, 2024, upon which date it is automatically renewable for an additional period of fifteen years. The lease is Kshs. 150,000 per month (approximately US \$1,500), payable quarterly in advance. Payments will escalate by 5% every two years from October 1, 2016. Lease payments totaling \$19,279 were paid for during 2021. The book value of leasehold improvements made to this property was \$115,035 as of December 31, 2021.

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 lease is currently being negotiated but all parties have agreed verbally to continue as is until the new lease is in place. The book value of leasehold improvements made to this property was \$367,963 as of December 31, 2021.

Nairobi, Kenya. Vapor Ministries leases an apartment located in Jade Gardens, Nairobi for use as a shared living and office space. The lease extends through February 2022 and was not renewed. The monthly lease amount was Kshs 120,000 (approximately US \$1,143) paid in advance annually and lease payments totaling \$14,825 were paid in 2021.

VAPOR MINISTRIES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 – LEASE COMMITMENTS (CONTINUED)

For years subsequent to 2021, minimum annual future rental commitments under the lease agreements are as follows:

<u>Year</u>	<u>Thrift Stores</u>	<u>Foreign Operations</u>	<u>Total</u>
2022	\$ 358,193	\$ 20,097	\$ 378,290
2023	258,684	20,844	279,528
2024	156,739	15,633	172,372
2025	160,973	-	160,973
2026	165,334	-	165,334
2027-2029	<u>523,497</u>	<u>-</u>	<u>523,497</u>
Total	<u>\$ 1,623,420</u>	<u>\$ 56,574</u>	<u>\$ 1,679,994</u>

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

The carrying amounts of net assets located outside the United States of America as of December 31, 2021 are as follows:

<u>Location</u>	<u>Cash</u>	<u>Property and Equipment, net</u>	<u>Total Net Assets</u>
Kenya	\$ 28,254	\$ 484,729	\$ 512,983
Togo	70,603	353,214	423,817
Haiti	<u>141,371</u>	<u>1,101,412</u>	<u>1,242,783</u>
Total foreign net assets	<u>\$ 240,228</u>	<u>\$ 1,939,355</u>	<u>\$ 2,179,583</u>

NOTE 14 – ADVERTISING AND PROMOTION

Vapor Ministries generally expenses the cost of advertising and promotion as incurred. However, advertising costs incurred for larger projects are not expensed until the initial advertising takes place. Advertising and promotion in the amount of \$447,995, predominantly related to promotion of the book on the life story of the founder of Vapor Ministries which was published and distributed by Vapor Books, LLC, has been expensed.

VAPOR MINISTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 – CONTINGENT LIABILITIES

The COVID-19 pandemic, whose effect became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value from uncertainty caused by the pandemic. Vapor Ministries is closely monitoring its liquidity and is actively working to minimize the impact of these declines.

The extent of the impact of COVID-19 on Vapor Ministries' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on Vapor Ministries' donors, at the present, can not be determined. Accordingly, the extent to which COVID-19 may impact Vapor Ministries' financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustment relating to the effects of this pandemic.

NOTE 16 – SUBSEQUENT EVENTS

Vapor Ministries has evaluated and considered the need to recognize or disclose subsequent events through July 25, 2022, 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, 2021, have not been evaluated by Vapor Ministries.

On June 11, 2022, the Greystone Thrift Store was closed for significant renovations and management anticipates that it may be September or October before the store re-opens. A temporary space has been rented and the Greystone store is operating out of this temporary location while the renovations are being completed. Management anticipates a revenue loss of approximately \$100,000 while the store is under renovation. This estimate could be lower if the performance of the temporary store is better than expected. Renovations in the amount of \$250,000 have been made to date, with the total cost of the renovations expected to be \$1,400,000.

SUPPLEMENTARY INFORMATION

VAPOR MINISTRIES
COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	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	\$ 5,032,190	\$ 234,105	\$ 13,116	\$ -	\$ 5,279,411	\$ 240,428	\$ -	\$ 5,519,839
Restricted	26,115	-	-	-	26,115	-	-	26,115
Receivables:								
Nonprofit foundation	154,387	-	-	-	154,387	-	-	154,387
Trade receivable	-	26,492	-	-	26,492	-	-	26,492
Due from Vapor Thrift Store, LLC	120,555	-	-	(120,555)	-	-	-	-
Other current assets	48	-	-	-	48	-	-	48
Prepaid expenses	162,424	30,395	-	-	192,819	20,000	(151,104)	61,715
Inventory	28,347	247,718	-	-	276,065	-	-	276,065
Investments:								
Unrestricted	41,563	-	-	-	41,563	-	-	41,563
Restricted	26,317	-	-	-	26,317	-	-	26,317
Property and equipment	1,588,638	942,396	-	-	2,531,034	3,630,307	-	6,161,341
Accum. depreciation	(563,732)	(341,012)	-	-	(904,744)	(1,284,190)	-	(2,188,934)
TOTAL ASSETS	<u>\$ 6,616,852</u>	<u>\$ 1,140,094</u>	<u>\$ 13,116</u>	<u>\$ (120,555)</u>	<u>\$ 7,649,507</u>	<u>\$ 2,606,545</u>	<u>\$ (151,104)</u>	<u>\$ 10,104,948</u>
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts payable	\$ 67,079	\$ 87,402	\$ -	\$ -	\$ 154,481	\$ -	\$ -	\$ 154,481
Accrued salaries and benefits	81,771	46,114	-	-	127,885	-	-	127,885
Deferred revenue	-	-	-	-	-	151,104	(151,104)	-
Due to Vapor Ministries, Inc.	-	71,114	49,441	(120,555)	-	-	-	-
Total liabilities	<u>148,850</u>	<u>204,630</u>	<u>49,441</u>	<u>(120,555)</u>	<u>282,366</u>	<u>151,104</u>	<u>(151,104)</u>	<u>282,366</u>
Net Assets:								
Without donor restrictions	2,655,021	935,464	(36,325)	-	3,554,160	2,455,441	-	6,009,601
With donor restrictions	3,812,981	-	-	-	3,812,981	-	-	3,812,981
Total net assets	<u>6,468,002</u>	<u>935,464</u>	<u>(36,325)</u>	<u>-</u>	<u>7,367,141</u>	<u>2,455,441</u>	<u>-</u>	<u>9,822,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,616,852</u>	<u>\$ 1,140,094</u>	<u>\$ 13,116</u>	<u>\$ (120,555)</u>	<u>\$ 7,649,507</u>	<u>\$ 2,606,545</u>	<u>\$ (151,104)</u>	<u>\$ 10,104,948</u>

VAPOR MINISTRIES
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	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	\$ 2,242,797	\$ -	\$ 78,475	\$ (759,424)	\$ 1,561,848	\$ 1,702,052	\$ (1,702,052)	\$ 1,561,848
In-kind contributions	18,602	3,020,019	-	-	3,038,621	-	-	3,038,621
Retail sales	26,395	2,815,743	8,790	-	2,850,928	-	-	2,850,928
Other sales	71,724	168,884	-	-	240,608	22,558	-	263,166
Cost of goods sold	-	(2,984,627)	(4,159)	-	(2,988,786)	-	-	(2,988,786)
Investment income (loss)	(1,558)	-	-	-	(1,558)	-	-	(1,558)
Other income	55,362	2,300	-	-	57,662	-	-	57,662
Released from restrictions	1,832,631	-	-	-	1,832,631	-	-	1,832,631
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	4,245,953	3,022,319	83,106	(759,424)	6,591,954	1,724,610	(1,702,052)	6,614,512
EXPENSES AND LOSSES								
Functional expenses:								
Program expense	2,329,216	-	-	-	2,329,216	1,472,539	(1,702,052)	2,099,703
Vapor Thrift Store	22,034	2,815,309	-	(680,949)	2,156,394	-	-	2,156,394
Supporting services:								
Management and general	1,218,006	-	-	-	1,218,006	-	-	1,218,006
Fundraising	421,580	-	119,431	(78,475)	462,536	-	-	462,536
TOTAL EXPENSES AND LOSSES	3,990,836	2,815,309	119,431	(759,424)	6,166,152	1,472,539	(1,702,052)	5,936,639
CHANGE IN NET ASSETS	255,117	207,010	(36,325)	-	425,802	252,071	-	677,873
NET ASSETS, BEGINNING OF YEAR	2,399,904	728,454	-	-	3,128,358	2,203,370	-	5,331,728
NET ASSETS, END OF YEAR	\$ 2,655,021	\$ 935,464	\$ (36,325)	\$ -	\$ 3,554,160	\$ 2,455,441	\$ -	\$ 6,009,601
NET ASSETS WITH DONOR RESTRICTIONS								
REVENUES								
Contributions	\$ 4,370,247	\$ -	\$ -	\$ -	\$ 4,370,247	\$ -	\$ -	\$ 4,370,247
Released from restrictions	(1,832,631)	-	-	-	(1,832,631)	-	-	(1,832,631)
CHANGE IN NET ASSETS	2,537,616	-	-	-	2,537,616	-	-	2,537,616
NET ASSETS, BEGINNING OF YEAR	1,275,365	-	-	-	1,275,365	-	-	1,275,365
NET ASSETS, END OF YEAR	\$ 3,812,981	\$ -	\$ -	\$ -	\$ 3,812,981	\$ -	\$ -	\$ 3,812,981
TOTAL NET ASSETS END OF YEAR	\$ 6,468,002	\$ 935,464	\$ (36,325)	\$ -	\$ 7,367,141	\$ 2,455,441	\$ -	\$ 9,822,582