



# Letter From The CFO

## Vapor Ministries 2020 Audited Financial Statements

Conor Gallagher  
Vapor Ministries COO & CFO

Dear Friend,

It goes without saying that 2020 was a challenging year as the world dealt with the effects of the COVID-19 virus. Yet by the grace of God and the generosity of our amazing donors, our ministry was able to adapt to constantly changing conditions and significantly ramp up our service in Africa and Haiti.

As we experienced different levels of shut downs and restrictions in the countries we operate in we learned to get creative, make strategic pivots in our operating model, and focused relentlessly on pressing deeper into the communities in which we serve. As a result, and on behalf of our donors, our dedicated staff provided food, water, health services, and the good news of Jesus Christ at a higher level than ever before – all for His glory.

- 56 million cups of clean water given
- 1.8 million meals served
- 254,000 health services provided
- Over 1 million gospel impressions made

Thank you for taking the time to review our 2020 financial information and results. I would like to call your attention to a few things 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 2019 990, under the name and EIN above.

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.



# Letter From The CFO

## Vapor Ministries 2020 Audited Financial Statements

As per GAAP requirements, all three 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 that reads 'Conor Gallagher'. The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Conor Gallagher

REPORT OF INDEPENDENT AUDITORS AND  
CONSOLIDATED FINANCIAL STATEMENTS FOR

VAPOR MINISTRIES

DECEMBER 31, 2020

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DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 12, 2021

VAPOR MINISTRIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020

**ASSETS**

Cash and cash equivalents	\$ 2,688,654
Accounts receivable	17,680
Prepaid expenses	191,540
Inventory	232,101
Investments	70,002
Property and equipment, net	<u>3,626,579</u>
 TOTAL ASSETS	 \$ <u><u>6,826,556</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable and accrued expenses	\$ <u>219,463</u>
 Total liabilities	 <u>219,463</u>

Net Assets

Without donor restrictions	5,331,728
With donor restrictions	<u>1,275,365</u>
 Total net assets	 <u>6,607,093</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>6,826,556</u></u>

See accompanying notes to the financial statements.

VAPOR MINISTRIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions:			
Cash	\$ 1,717,863	\$ 2,280,182	\$ 3,998,045
In-kind:			
Thrift store	2,135,377	-	2,135,377
Other	19,404	-	19,404
Sales	2,138,443	-	2,138,443
Cost of goods sold	(2,089,805)	-	(2,089,805)
Other income	315,805	-	315,805
Net assets released from restrictions	<u>1,523,153</u>	<u>(1,523,153)</u>	<u>-</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>5,760,240</u>	 <u>757,029</u>	 <u>6,517,269</u>
<b>EXPENSES AND LOSSES</b>			
Functional expenses:			
Program:			
Sustainable centers	1,927,378	-	1,927,378
Thrift store	1,987,776	-	1,987,776
Supporting services:			
Management and general	812,731	-	812,731
Fundraising	<u>231,250</u>	<u>-</u>	<u>231,250</u>
 TOTAL EXPENSES	 <u>4,959,135</u>	 <u>-</u>	 <u>4,959,135</u>
 <b>CHANGE IN NET ASSETS</b>	 801,105	 757,029	 1,558,134
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>4,530,623</u>	 <u>518,336</u>	 <u>5,048,959</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 5,331,728</u></u>	 <u><u>\$ 1,275,365</u></u>	 <u><u>\$ 6,607,093</u></u>

See accompanying notes to the financial statements.

VAPOR MINISTRIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ 296,320	\$ 194,325	\$ 490,645	\$ 834,283	\$ 1,324,928	\$ 318,978	\$ 92,879	\$ 411,857	\$ 1,736,785	
Payroll taxes	39,229	28,087	67,316	63,081	130,397	28,302	6,921	35,223	165,620	
Other employee benefits	53,998	3,683	57,681	10,985	68,666	25,030	-	25,030	93,696	
Total personnel expense	<u>389,547</u>	<u>226,095</u>	<u>615,642</u>	<u>908,349</u>	<u>1,523,991</u>	<u>372,310</u>	<u>99,800</u>	<u>472,110</u>	<u>1,996,101</u>	
Other expenses										
Professional/other fees	27,783	6,039	33,822	76,936	110,758	54,222	-	54,222	164,980	
Advertising/promotion	9,592	9,435	19,027	5,547	24,574	80,832	10,116	90,948	115,522	
Office expenses	71,705	63,174	134,879	37,711	172,590	39,452	6,878	46,330	218,920	
Occupancy	63,667	33,697	97,364	573,128	670,492	7,830	2,925	10,755	681,247	
Travel	52,696	30,709	83,405	36,741	120,146	28,935	1,246	30,181	150,327	
Conferences, conventions and meetings	102	288	390	169	559	71,408	53,361	124,769	125,328	
Depreciation expense	95,138	95,138	190,276	60,227	250,503	29,702	11,030	40,732	291,235	
Insurance	38,886	39,005	77,891	20,799	98,690	67,786	27,821	95,607	194,297	
Supplies	56,996	55,555	112,551	63,505	176,056	10,910	14,894	25,804	201,860	
Sales tax	3,519	6,075	9,594	193,723	203,317	83	-	83	203,400	
Dues and subscriptions	10,048	6,475	16,523	10,933	27,456	40,457	-	40,457	67,913	
Training	13,574	11,997	25,571	8	25,579	8,654	3,179	11,833	37,412	
Grants/other assistance	210,800	299,643	510,443	-	510,443	-	-	-	510,443	
Other expenses	-	-	-	-	-	150	-	150	150	
Total other expenses	<u>654,506</u>	<u>657,230</u>	<u>1,311,736</u>	<u>1,079,427</u>	<u>2,391,163</u>	<u>440,421</u>	<u>131,450</u>	<u>571,871</u>	<u>2,963,034</u>	
Total functional expenses	<u>\$1,044,053</u>	<u>\$ 883,325</u>	<u>\$ 1,927,378</u>	<u>\$ 1,987,776</u>	<u>\$ 3,915,154</u>	<u>\$ 812,731</u>	<u>\$ 231,250</u>	<u>\$ 1,043,981</u>	<u>\$ 4,959,135</u>	

See accompanying notes to the financial statements.

VAPOR MINISTRIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributions	\$6,434,613
Payments to employees (or for their benefit) for services provided	(1,996,101)
Payments to vendors	<u>(2,681,826)</u>
Net cash provided by (used in) operating activities	<u>1,756,686</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(70,002)
Purchase of fixed assets	(103,029)
Proceeds from sale of capital assets	<u>9,932</u>
Net cash provided by (used in) investing activities	<u>(163,099)</u>

**NET CHANGE IN CASH** 1,593,587

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 1,095,067

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$2,688,654

See accompanying notes to the financial statements.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**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 three separate legal entities organized in the United States of America: (1) Vapor Ministries, Inc. (formerly named Vapor International, Inc.), (2) Vapor Thrift Store, LLC, and (3) 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.
- 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 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 three 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 Sports Ministries, Inc.* The entity builds and operates centers for humanitarian aid and disciple-making. Funding is provided by grants from Vapor Ministries, Inc.

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

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2020:

*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. 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.

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.

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.

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, 2020

**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

Payments made to vendors that will benefit subsequent periods are recorded as prepaid items.

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, 2020

**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.

Paycheck Protection Program

During the year, Vapor Ministries received proceeds under the Payroll Protection Program "PPP" administered by the Small Business Administration (SBA) approved partner. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a "covered period" (8 or 24 weeks, not to extend beyond December 31, 2020). Up to 100% of the loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

Vapor Ministries expects to meet the PPP's eligibility criteria, and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. Vapor Ministries initially recorded the loan as a refundable advance and subsequently recorded the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier or right of return of the PPP loan or when such conditions are explicitly waived. Vapor Ministries has interpreted the condition of the grants to be the approval of the forgiveness application by the lender and SBA, and upon receipt, Vapor Ministries recognized the amount forgiven as grant revenue.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 2018.

Vapor Thrift Store, LLC, a single-member limited liability company, is a disregarded entity for tax purposes and is 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, as a disregarded entity, falls under the IRC section 501(c)(3) tax exemption of Vapor Ministries, Inc.

New Accounting Pronouncement

Effective January 1, 2020, Vapor Ministries adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), 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. Results for reporting the year ended December 31, 2020 are presented under FASB ASC Topic 606.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents Vapor Ministries’ financial assets on December 31, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$2,688,654
Accounts receivable	17,680
Investments	<u>70,002</u>
Total financial assets	<u>2,776,336</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,275,365
Investments held for payment of deferred compensation	25,002
Investments in a limited liability company	45,000
Less net assets with purpose restrictions to be met in less than one year	<u>(421,545)</u>
	<u>923,822</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$1,852,514</u></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 – INVENTORY**

The value of the thrift store inventory on December 31, 2020 was \$212,325. Other inventory, held at the main office and consisting of promotional items, is valued at \$19,776 (cost basis).

**NOTE 5 – INVESTMENTS**

Investments consists of (1) a subscription agreement in Pineridge Sports, LLC at an original cost of \$45,000 acquired in December 2020, and (2) cash equivalents, with a \$25,002 fair market value, held at a brokerage account (rabbi trust) to be used to provide deferred compensation benefits to an employee.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

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

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 227,369	\$ -	\$ -	\$ 227,369
Construction in progress	207,444	28,502	(154,919)	81,027
Buildings	1,890,821	100,834	-	1,991,655
Land and building improvements	837,309	277	-	837,586
Leasehold improvements	1,704,068	52,817	-	1,756,885
Other assets	547,886	75,518	(12,900)	610,504
Total property and equipment	<u>5,414,897</u>	<u>257,948</u>	<u>(167,819)</u>	<u>5,505,026</u>
Accumulated depreciation for:				
Buildings	(422,819)	(68,950)	-	(491,769)
Land and building improvements	(327,856)	(51,355)	-	(379,211)
Leasehold improvements	(515,888)	(105,756)	-	(621,644)
Other assets	(323,615)	(65,174)	2,966	(385,823)
Total accumulated depreciation	<u>(1,590,178)</u>	<u>(291,235)</u>	<u>2,966</u>	<u>(1,878,447)</u>
Total property and equipment, net	<u>\$3,824,719</u>	<u>\$ (33,287)</u>	<u>\$ (164,853)</u>	<u>\$3,626,579</u>

Depreciation expense for the year was \$291,235.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 7 –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	\$ 18,078	\$ 16,406	\$ (33,089)	\$ 1,395
Hasmin's Friends	91,689	277,191	(311,371)	57,509
Events	3,571	82,176	(77,276)	8,471
Thrift Capital Fund	99,355	276,600	(52,322)	323,633
Activities	-	2,661	(2,661)	-
Africa	20,039	228,500	(132,300)	116,239
Haiti	252,691	460,844	(52,488)	661,047
Other specified purposes	32,913	935,804	(861,646)	107,071
<b>Total</b>	<b><u>\$ 518,336</u></b>	<b><u>\$ 2,280,182</u></b>	<b><u>\$ (1,523,153)</u></b>	<b><u>\$ 1,275,365</u></b>

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

**NOTE 8 –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	\$ 1,980,987
Other	22,193
Bulk sales - thrift store	108,818
Other sales	26,445
Total sales	<u>\$ 2,138,443</u>

Cost of goods sold - thrift store:

Beginning inventory	\$ 166,753
in-kind contributions	2,135,377
Cost of goods available for sale	<u>2,302,130</u>
Ending inventory	(212,325)
Cost of goods sold	<u>\$ 2,089,805</u>

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 9 – INTRA-ENTITY TRANSACTIONS AND BALANCES AND ELIMINATIONS IN CONSOLIDATION**

Intra-entity transactions:

During the year ended December 31, 2020, the following cash transfers were made between the consolidated entities:

- Vapor Thrift Store, LLC transferred \$367,123 to Vapor Ministries, Inc. to support the entity's programs.
- Vapor Ministries, Inc. transferred \$1,323,920 to Vapor Sports Ministries, Inc. to fund programs.

Intra-entity balances:

At December 31, 2020:

- Vapor Thrift Stores, LLC had a payable to Vapor Ministries, Inc. in the amount of \$30,854 and Vapor Ministries, Inc. had a corresponding receivable from Vapor Thrift Stores, LLC in the amount of \$30,854.

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

**NOTE 10 – 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 \$7,700 per month and lease payments totaling \$141,000 were paid during 2020. Lease payments (including \$1,300 for property taxes and insurance) are as follows: \$12,063 for 2021, \$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 leased commercial property, located at 11271 Hwy 280E, Westover, Alabama, as a bulk processing facility and warehouse. The lease expired February 28, 2021, however, management terminated the lease in November after providing a 90-day notice. The lease amount was \$1,875 per month and lease payments totaling \$18,750 were paid during 2020.

Vapor Thrift Stores, LLC leases commercial property, located at 1069 Montgomery Highway, Birmingham, Alabama for use as a retail store (Vestavia). The lease expires June 30, 2023. The lease amount is \$16,500 per month through June 30, 2020, \$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 \$228,742 were paid/incurred during 2020.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 10 – 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 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. 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 \$163,767 as of December 31, 2020.

*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 \$19,136 were paid for during 2020. The book value of leasehold improvements made to this property was \$136,675 as of December 31, 2020.

*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 expires 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 \$397,269 as of December 31, 2020.

*Nairobi, Kenya.* Vapor Ministries leases an apartment located in Jade Gardens, Nairobi for use as a shared living and office space. The lease has been renewed through February 2022. The monthly lease amount is Kshs 113,041 (approximately US \$1,110) paid in advance annually and lease payments totaling \$13,842 were paid in 2020.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 10 – LEASE COMMITMENTS (CONTINUED)**

For years subsequent to 2020, 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>
2021	\$ 348,744	\$ 33,168	\$ 381,912
2022	358,193	22,317	380,510
2023	258,684	20,844	279,528
2024	156,739	15,633	172,372
2025	160,973	-	160,973
2026-2029	<u>688,831</u>	<u>-</u>	<u>688,831</u>
Total	<u>\$ 1,972,164</u>	<u>\$ 91,962</u>	<u>\$ 2,064,126</u>

**NOTE 11 – 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, 2020 are as follows:

<u>Location</u>	<u>Cash</u>	<u>Property and Equipment, net</u>	<u>Total Net Assets</u>
Kenya	\$ 25,687	\$ 536,546	\$ 562,233
Togo	14,765	387,465	402,230
Haiti	<u>80,822</u>	<u>1,155,329</u>	<u>1,236,151</u>
Total foreign net assets	<u>\$ 121,274</u>	<u>\$ 2,079,340</u>	<u>\$ 2,200,614</u>

**NOTE 12 – 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 first time advertising takes place. Advertising costs of \$175,000 incurred for a project uncompleted as of December 31, 2020, has been recorded as a prepaid expense. Advertising and promotion in the amount of \$109,639 has been expensed.

VAPOR MINISTRIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 13 – 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 14 – PAYCHECK PROTECTION PROGRAM**

In 2020, Vapor Ministries was granted and received loans of \$167,650 (Vapor Ministries, Inc.) and \$132,140 (Vapor Thrift Stores, LLC) under the Paycheck Protection Program "PPP" administered by the Small Business Administration (SBA) approved partner. The loans are uncollateralized and are fully guaranteed by the Federal government. Vapor Ministries initially recorded the loans as refundable advances and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer exists. Vapor Ministries has recognized \$299,790 as grant revenue for the year ended December 31, 2020, which represents 100% of the loan proceeds.

**NOTE 15 – SUBSEQUENT EVENTS**

Vapor Ministries has evaluated and considered the need to recognize or disclose subsequent events through July 12, 2021, 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, 2020, have not been evaluated by Vapor Ministries.

SUPPLEMENTARY INFORMATION

VAPOR MINISTRIES  
COMBINING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020

	Vapor Ministries, Inc.	Vapor Thrift Store, LLC	Intra-Entity Eliminations	Subtotal	Vapor Sports Ministries, Inc.	Intra-Entity Eliminations	Consolidated Total
<b>ASSETS</b>							
Cash	\$ 2,453,383	\$ 113,809	\$ -	\$ 2,567,192	\$ 121,462	\$ -	\$ 2,688,654
Accounts receivable	-	17,680		17,680	-	-	17,680
Due from Vapor Thrift Store, LLC	30,854	-	(30,854)	-	-	-	-
Prepaid expenses	175,040	16,500	-	191,540	-	-	191,540
Inventory	19,776	212,325	-	232,101	-	-	232,101
Investments	70,002	-	-	70,002	-	-	70,002
Property and equipment	1,498,514	813,908	-	2,312,422	3,192,604	-	5,505,026
Accum. depreciation	(491,986)	(275,765)	-	(767,751)	(1,110,696)	-	(1,878,447)
<b>TOTAL ASSETS</b>	<b><u>\$ 3,755,583</u></b>	<b><u>\$ 898,457</u></b>	<b><u>\$ (30,854)</u></b>	<b><u>\$ 4,623,186</u></b>	<b><u>\$ 2,203,370</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,826,556</u></b>
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities:							
Accounts payable	\$ 32,977	\$ 106,989	\$ -	\$ 139,966	\$ -	\$ -	\$ 139,966
Accrued salaries and benefits	47,337	32,160	-	79,497	-	-	79,497
Due to Vapor Ministries, Inc.	-	30,854	(30,854)	-	-	-	-
<b>Total liabilities</b>	<b><u>80,314</u></b>	<b><u>170,003</u></b>	<b><u>(30,854)</u></b>	<b><u>219,463</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>219,463</u></b>
Net Assets:							
Without donor restrictions	2,399,904	728,454	-	3,128,358	2,203,370	-	5,331,728
With donor restrictions	1,275,365	-	-	1,275,365	-	-	1,275,365
<b>Total net assets</b>	<b><u>3,675,269</u></b>	<b><u>728,454</u></b>	<b><u>-</u></b>	<b><u>4,403,723</u></b>	<b><u>2,203,370</u></b>	<b><u>-</u></b>	<b><u>6,607,093</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,755,583</u></b>	<b><u>\$ 898,457</u></b>	<b><u>\$ (30,854)</u></b>	<b><u>\$ 4,623,186</u></b>	<b><u>\$ 2,203,370</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,826,556</u></b>

VAPOR MINISTRIES  
COMBINING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Vapor Ministries, Inc.	Vapor Thrift Store, LLC	Intra-Entity Eliminations	Subtotal	Vapor Sports Ministries, Inc.	Intra-Entity Eliminations	Consolidated Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>							
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>							
Contributions	\$ 2,084,986	\$ -	\$ (367,123)	\$ 1,717,863	\$ 1,323,920	\$ (1,323,920)	\$ 1,717,863
In-kind contributions	19,404	2,135,377	-	2,154,781	-	-	2,154,781
Retail sales	21,967	1,980,987	-	2,002,954	226	-	2,003,180
Other sales	8,361	108,818	-	117,179	18,084	-	135,263
Cost of goods sold	-	(2,089,805)	-	(2,089,805)	-	-	(2,089,805)
Grant income	167,749	148,020	-	315,769	-	-	315,769
Other income	36	-	-	36	-	-	36
Released from restrictions	1,523,153	-	-	1,523,153	-	-	1,523,153
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>3,825,656</b>	<b>2,283,397</b>	<b>(367,123)</b>	<b>5,741,930</b>	<b>1,342,230</b>	<b>(1,323,920)</b>	<b>5,760,240</b>
<b>EXPENSES AND LOSSES</b>							
Functional expenses:							
Program expense	1,843,179	367,123	(367,123)	1,843,179	1,408,117	(1,323,920)	1,927,376
Vapor Thrift Store	37,799	1,949,977	-	1,987,776	-	-	1,987,776
Supporting services:							
Management and general	812,733	-	-	812,733	-	-	812,733
Fundraising	231,250	-	-	231,250	-	-	231,250
<b>TOTAL EXPENSES AND LOSSES</b>	<b>2,924,961</b>	<b>2,317,100</b>	<b>(367,123)</b>	<b>4,874,938</b>	<b>1,408,117</b>	<b>(1,323,920)</b>	<b>4,959,135</b>
CHANGE IN NET ASSETS	900,695	(33,703)	-	866,992	(65,887)	-	801,105
NET ASSETS, BEGINNING OF YEAR	1,499,209	762,157	-	2,261,366	2,269,257	-	4,530,623
NET ASSETS, END OF YEAR	<u>\$ 2,399,904</u>	<u>\$ 728,454</u>	<u>\$ -</u>	<u>\$ 3,128,358</u>	<u>\$ 2,203,370</u>	<u>\$ -</u>	<u>\$ 5,331,728</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>							
<b>REVENUES</b>							
Contributions	\$ 2,280,182	\$ -	\$ -	\$ 2,280,182	\$ -	\$ -	\$ 2,280,182
Released from restrictions	(1,523,153)	-	-	(1,523,153)	-	-	(1,523,153)
CHANGE IN NET ASSETS	757,029	-	-	757,029	-	-	757,029
NET ASSETS, BEGINNING OF YEAR	518,336	-	-	518,336	-	-	518,336
NET ASSETS, END OF YEAR	<u>\$ 1,275,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,275,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,275,365</u>
<b>TOTAL NET ASSETS END OF YEAR</b>	<b><u>\$ 3,675,269</u></b>	<b><u>\$ 728,454</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,403,723</u></b>	<b><u>\$ 2,203,370</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,607,093</u></b>