

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Rescue Mission, Inc. and Subsidiaries
Tustin, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Orange County Rescue Mission, Inc. and Subsidiaries (a nonprofit organization) (the Organization), which comprise the consolidated statement of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the results of its activities and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Irvine, California
January 22, 2024

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 12,885,253	\$ 8,122,956
Investments	207,198	198,089
Inventory	196,972	246,740
Accounts Receivable	172,577	99,820
Prepaid Expenses and Deposits	101,375	116,658
Land, Buildings, and Equipment, at Net Book Value	64,590,500	65,266,725
Total Assets	\$ 78,153,875	\$ 74,050,988
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 374,563	\$ 194,936
Accrued Expenses	1,014,639	802,493
Security Deposits Held	21,966	25,557
Total Liabilities	1,411,168	1,022,986
NET ASSETS		
Without Donor Restrictions	76,090,831	72,715,626
With Donor Restrictions	651,876	312,376
Total Net Assets	76,742,707	73,028,002
Total Liabilities and Net Assets	\$ 78,153,875	\$ 74,050,988

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 19,837,730	\$ 339,500	\$ 20,177,230
Contributed Nonfinancial Assets	8,085,246	-	8,085,246
Rental Income/Program Fees	798,404	-	798,404
Other	71,540	-	71,540
Total Revenues and Other Support	28,792,920	339,500	29,132,420
EXPENSES			
Program Services:			
Ministries	20,046,407	-	20,046,407
Supporting Services:			
General and Administrative	1,473,588	-	1,473,588
Fundraising	3,712,638	-	3,712,638
Total Supporting Services	5,186,226	-	5,186,226
Loss on Sale of Assets	185,082	-	185,082
Total Expenses	25,417,715	-	25,417,715
INCREASE IN NET ASSETS	3,375,205	339,500	3,714,705
Net Assets - Beginning of Year	72,715,626	312,376	73,028,002
NET ASSETS - END OF YEAR	\$ 76,090,831	\$ 651,876	\$ 76,742,707

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 17,111,039	\$ -	\$ 17,111,039
Contributed Nonfinancial Assets	9,298,746	-	9,298,746
Rental Income/Program Fees	798,133	-	798,133
Other	159,092	-	159,092
Total Revenues and Other Support	27,367,010	-	27,367,010
EXPENSES			
Program Services:			
Ministries	18,817,715	-	18,817,715
Supporting Services:			
General and Administrative	1,169,148	-	1,169,148
Fundraising	3,550,859	-	3,550,859
Total Supporting Services	4,720,007	-	4,720,007
Total Expenses	23,537,722	-	23,537,722
INCREASE IN NET ASSETS	3,829,288	-	3,829,288
Net Assets - Beginning of Year	68,886,338	312,376	69,198,714
NET ASSETS - END OF YEAR	\$ 72,715,626	\$ 312,376	\$ 73,028,002

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare	\$ 9,792,744	\$ -	\$ -	\$ 9,792,744
Compensation and Related Expenses	4,971,957	841,083	1,550,324	7,363,364
Depreciation	1,848,167	30,453	33,101	1,911,721
Public Education	-	-	600,232	600,232
Occupancy, Utilities, and Maintenance	1,774,228	30,860	21,094	1,826,182
Direct Marketing	-	-	1,424,477	1,424,477
Professional Fees	224,958	472,206	-	697,164
Supplies	574,368	85,528	65	659,961
Information Technologies	414,286	8,669	73,189	496,144
Insurance	256,524	4,768	5,183	266,475
Vehicles	164,928	21	4,823	169,772
Dues, Subscriptions, and Training	9,225	-	150	9,375
Other	15,022	-	-	15,022
Total Expenses by Function	<u>\$ 20,046,407</u>	<u>\$ 1,473,588</u>	<u>\$ 3,712,638</u>	<u>\$ 25,232,633</u>

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare	\$ 9,456,195	\$ -	\$ -	\$ 9,456,195
Compensation and Related Expenses	4,495,165	834,880	1,456,825	6,786,870
Depreciation	1,827,527	29,823	32,416	1,889,766
Public Education	-	-	497,873	497,873
Occupancy, Utilities, and Maintenance	1,563,365	16,432	17,647	1,597,444
Direct Marketing	-	-	1,429,769	1,429,769
Professional Fees	191,290	198,212	-	389,502
Supplies	452,612	66,495	34,958	554,065
Information Technologies	338,485	8,685	71,560	418,730
Insurance	243,193	4,526	4,919	252,638
Vehicles	223,073	295	3,017	226,385
Dues, Subscriptions, and Training	9,895	9,800	1,875	21,570
Other	16,915	-	-	16,915
Total Expenses by Function	<u>\$ 18,817,715</u>	<u>\$ 1,169,148</u>	<u>\$ 3,550,859</u>	<u>\$ 23,537,722</u>

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 3,714,705	\$ 3,829,288
Noncash Items Included in Increase in Net Assets:		
Donated Inventory	(4,085,421)	(5,550,846)
Distributed Inventory	4,135,189	5,423,849
Depreciation	1,911,721	1,889,766
Donated Stock	(264)	(104,702)
Loss on Investments	307	9,248
Loss on Sale of Assets	185,082	-
(Increase) Decrease in Assets:		
Accounts Receivable	(72,757)	20,956
Prepaid Expenses	15,283	(4,398)
Increase (Decrease) in Liabilities:		
Accounts Payable	179,627	(198,819)
Accrued Expenses and Security Deposits Held	208,555	33,299
Net Cash Provided by Operating Activities	6,192,027	5,347,641
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,968,250)	(2,429,564)
Proceeds from Sale of Assets	1,547,672	-
Sale of Investments	(9,152)	118,894
Net Cash Used by Investing Activities	(1,429,730)	(2,310,670)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	4,762,297	3,036,971
Cash and Cash Equivalents - Beginning of Year	8,122,956	5,085,985
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,885,253	\$ 8,122,956
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Orange County Rescue Mission, Inc. (OCRM) was formed to provide emergency and transitional care for homeless individuals and families. OCRM's mission is to minister the love of Jesus Christ to the Least, the Last, and the Lost of the community through the provision of assistance in the areas of guidance, counseling, education, job training, shelter, food, clothing, health care, and independent living.

Expenses related to providing this care have been recorded as program services in the accompanying consolidated financial statements. OCRM was incorporated as a nonprofit organization under the laws of the state of California on April 21, 1965.

OCRM's philosophy of ministry is to operate in a dynamic, entrepreneurial manner, thereby expecting to grow and expand numerically, programmatically, and geographically. OCRM seeks to be constantly challenged with a fresh vision and well-prepared strategies, which originate with the president and senior professional staff, that are refined, confirmed, and approved by the board of directors.

OCRM's values as an organization are to provide inspiration of hope in those it serves, excellence in everything it does, leadership centered on servanthood, respect for each person as an individual, and integrity and accountability, while moving persons toward self-sufficiency with a commitment to spiritual, emotional, social, and vocational growth and maintaining an environment that fosters teamwork, success, and trust.

OCRM is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, OCRM is subject to federal income tax on any unrelated business taxable income. In addition, OCRM is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions by the public are eligible to be deducted for income tax purposes.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the "ASC" hereafter refer to the *Accounting Standards Codification* established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Principles of Consolidation

For the years ended September 30, 2023 and 2022, the consolidated financial statements include the accounts of OCRM, Inland Empire Rescue Mission (IERM), Laurel House (dba: Hope Harbor) (LH), and Temporary Shelter, Inc. (collectively referred to as the Organization). IERM also does business as Corona Norco Rescue Mission and Temecula Murrieta Rescue Mission. During the year ended September 30, 2015, the Organization was given control over LH, which is consolidated within these financial statements. LH is an organization dedicated to assisting at-risk teenage girls and boys that fits within the mission of the Organization.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization's consolidated financial statements are presented in conformity with FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Descriptions of the two net asset categories are as follows:

Net Assets without Donor Restrictions – Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue and contributions related to expenses associated with core programs.

Net Assets with Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit an organization to use or expend part or all the income derived from the contribution. Donor-imposed restrictions are released when a restriction expires (that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

Contributions and Grants

Contributions and grants are recognized when the donor makes a promise to give to an organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Conditional contributions and grants are recognized when the conditions for which they depend on are substantially met. As of September 30, 2023, the Organization has remaining funding of approximately \$1,258,000 that has not been recognized because certain performance obligations have not been met.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the consolidated statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 12 months or less to be cash and cash equivalents. Deposits with various banks and broker dealers may, at times, exceed federally insured limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in other income in the accompanying consolidated statements of activities. Adjustments to the valuation of investments are included in other income in the consolidated statements of activities.

Contributed Nonfinancial Assets

Donated Goods and Food

Material gifts in kind are used in the Organization's programs. Donated goods are recorded at fair market value on the date of the donation as in-kind contributions and, when distributed, as program services in the consolidated statements of activities. Gift-in-kind inventory consists of donated goods used in the operation of the Organization's programs. The fair value of donated clothing is determined using the rates established by the Salvation Army. The fair value of donated food is estimated at \$2 per pound based on management's estimate of the average price of high value and low value products. A physical count of items on hand at the end of the year is performed to determine the inventory value as stated at fair value in the consolidated statements of financial position at September 30, 2023 and 2022.

Donated Services

Donated services are a significant part of the Organization's operations and are reported as contributions at their fair market value if such services create or enhance nonfinancial assets, require specialized skills, and are provided by individuals possessing such specialized skills. Such items are charged to operations as appropriate. Management's estimated amount of the fair value of recognized services for the years ended September 30, 2023 and 2022, was \$2,903,148 and \$2,730,285, respectively, which is included in gift-in-kind activity in the consolidated statements of activities. The fair value for contributed services are valued at skilled labor rates set by the Department of Labor.

In addition to these specialized donated services, the Organization tracks the significant investment of time by the thousands of other volunteers and program participants. If not for these volunteer hours, the Organization would have been required to purchase equivalent services. Management has estimated the value of such services for the years ended September 30, 2023 and 2022, to be \$4,343,818 and \$4,365,234, respectively. These amounts have not been recorded in the consolidated statements of activities, as they do not meet the requirements described above. The value of these volunteer hours was established based upon the type of volunteer time given and the hourly value of such time as determined by the U.S. Department of Labor.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets (Continued)

For the years ended September 30, donated goods, services, and food recognized within the statements of activities and changes in net assets included:

	<u>2023</u>	<u>2022</u>
Goods	\$ 4,085,421	\$ 5,541,538
Services	2,903,148	2,730,285
Food	<u>1,096,677</u>	<u>1,026,923</u>
Total	<u>\$ 8,085,246</u>	<u>\$ 9,298,746</u>

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost when purchased. Donations of property and equipment are recorded at their estimated fair value on the date of the donation. Estimated useful lives used for depreciation are as follows:

	<u>Useful Life (Years)</u>	<u>Depreciation Method</u>
Buildings	27 to 40	Straight Line
Building Improvements	7	Straight Line
Equipment and Furniture	5 to 10	Straight Line
Vehicles	5	Straight Line

Land and artwork have indefinite useful lives and are not depreciated.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2023 and 2022, were \$469,165 and \$384,720, respectively.

Fair Value of Financial Instruments

Financial and nonfinancial assets and liabilities are recorded at their fair market value in accordance with FASB ASC 820, *Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Directly or indirectly observable inputs for quoted and other-than-quoted prices for identical or similar assets and liabilities in active or nonactive markets.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

The fair value of assets measured on a recurring basis at September 30, 2023 and 2022 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>September 30, 2023</u>				
Investments:				
Aegis Asset-Backed Securities, LLC	\$ 198,089	\$ -	\$ 198,089	\$ -
Mutual Funds	9,109	9,109	-	-
Total	<u>\$ 207,198</u>	<u>\$ 9,109</u>	<u>\$ 198,089</u>	<u>\$ -</u>
 <u>September 30, 2022</u>				
Investments:				
Aegis Asset-Backed Securities, LLC	<u>\$ 198,089</u>	<u>\$ -</u>	<u>\$ 198,089</u>	<u>\$ -</u>

The Aegis Asset Backed Securities are trust deed notes receivables and are valued primarily utilizing inputs and assumptions that are observable in the marketplace, or a current appraised value, that can be derived from observable market data or that can be corroborated by recent trading activity of similar instruments with similar characteristics.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on direct costs, square footage of office space used, and estimates of time spent in each functional area. Expenses allocated using direct costs are newsletters and annual report expenses. Costs allocated based on square footage are depreciation, insurance, maintenance, utilities, information technology (IT) related services, IT salaries, and fringe benefits. Costs allocated based on time estimates are executive salaries and fringe benefits.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements – Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. The most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization considered the impact of the standard and determined that there are no leases in effect for the year ended September 30, 2023. Leases at September 30, 2022, are reported in accordance with ASC 840.

Recent Accounting Pronouncements – Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, with subsequently issued improvements, which requires that credit losses on most financial assets measured at amortized cost and certain other instruments be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, ASU 2016-13 makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the provisions of this pronouncement on the presentation of its consolidated financial statements.

NOTE 2 LIQUIDITY

The Organization’s financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of September 30:

	2023	2022
Cash and Cash Equivalents	\$ 12,233,377	\$ 7,810,580
Investments	207,198	198,089
Accounts Receivable	172,577	99,820
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 12,613,152	\$ 8,108,489

As part of the Organization’s liquidity management plan, the Organization invests some cash in excess of daily requirements in short-term investments and money market funds.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 21,343,292	\$ 22,713,292
Buildings and Improvements	51,031,958	52,170,750
Equipment and Furniture	5,787,565	4,737,890
Artwork	1,399,224	1,399,224
Vehicles	1,153,533	1,013,732
Construction in Progress	<u>3,940,528</u>	<u>2,774,215</u>
Total	84,656,100	84,809,103
Less: Accumulated Depreciation	<u>(20,065,600)</u>	<u>(19,542,378)</u>
Land, Buildings, and Equipment, Net	<u>\$ 64,590,500</u>	<u>\$ 65,266,725</u>

In December 2020, the Organization purchased St. Michael's Abbey for \$11,700,000. The appraisal value of the land and building was \$17,300,000. The Organization recorded a \$5,600,000 gift in kind from the Norbertine Fathers of Orange. Improvements/repairs are currently being made to the facility and are reported as construction in progress at September 30, 2023. The improvements/repairs are expected to be completed in 2026 and the buildings will be placed in service when the improvements/repairs are completed.

NOTE 4 CONTINGENT LIABILITIES

In an effort to provide longer term transitional housing, the Organization has acquired properties that are available for rent at affordable rates. Residents must fall within certain income or demographic guidelines, and rent is set based upon family size and income. As part of the acquisition of these properties, the Organization received grants from various entities. In order to ensure that the properties are used for the intended purpose of affordable housing, the respective granting agencies placed deed restrictions on the properties and recorded a promissory note.

Over time, these promissory notes will be forgiven, and the deed restrictions will be lifted. The Organization's purpose and mission is to provide this type of transitional housing to at risk families; therefore, the possibility of defaulting on these agreements and not providing transitional housing has been deemed remote. As a result, the funds received from the grants have been recognized as income and no debt obligation has been recorded. Management is not aware of any violations of these agreements.

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NOTE 4 CONTINGENT LIABILITIES (CONTINUED)

The contingent liabilities if the Organization were to default on these notes are disclosed below.

Hope Family Housing El Modena – County of Orange

The Organization has a 3% promissory note due in 2053 to the County of Orange, which is payable in annual installments of \$32,647. It is secured by a deed of trust on the property known as Hope Family Housing – El Modena. The Organization is not obliged to make payments during the term of this note provided that the property is used exclusively for the purpose of the program, which is transitional housing as defined in the loan agreement.

Hope Family Housing Buena Park – City of Buena Park

The Organization has a 3% promissory note due in 2062 to the Community Redevelopment Agency of the City of Buena Park, which is payable in annual interest-only installments of \$30,756. It is secured by a deed of trust on the property known as Hope Family Housing – Buena Park. The Organization is not obliged to make payments of principal or interest during the term of this note provided that the property is used exclusively for the purpose of the program, which is transitional housing as defined in the loan agreement. Interest will continue to accrue each year until the due date.

Hope Family Housing Buena Park – Prop 10 Commission

The Organization has an interest-free promissory note due in 2038 with the Children and Families Commission of Orange County (Prop 10). It is secured by a deed of trust on the property known as Hope Family Housing – Buena Park. The Organization is not obliged to make principal or interest payments during the term of this note provided that the property is used exclusively for the purpose of the program, which is transitional housing for families with children ages 0-5 as defined in the loan agreement. On an annual basis, a credit is applied based on the number of units occupied by families with children ages 0-5 and this amount decreases the principal balance.

Hope Family Veterans Housing – City of Tustin

The Organization has a 3% promissory note due in 2045 to the City of Tustin, a California municipal corporation. Forgiven annually is 1/30th of the principal and interest balance. It is secured by a deed of trust on the property known as Hope Family Veterans Housing. The Organization is not obliged to make payments during the term of this note provided that the property is used exclusively for the purpose of the program, which is transitional housing for veterans as defined in the loan agreement.

At September 30, 2023 and 2022, the outstanding balances and accrued interest, if applicable, are as follows:

	<u>2023</u>	<u>2022</u>
Hope Family Housing El Modena - County of Orange	\$ 639,895	\$ 652,953
Hope Family Housing Buena Park - City of Buena Park	1,529,724	1,498,968
Hope Family Housing Buena Park - Prop 10 Commission	339,990	339,990
Hope Family Veterans Housing - City of Tustin	421,703	436,195
Total	<u>\$ 2,931,312</u>	<u>\$ 2,928,106</u>

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NOTE 5 NET ASSETS

Net assets consist of the following at September 30, 2023 and 2022:

September 30, 2023	Without Donor Restriction	With Donor Restrictions	Total
Investment in Land, Buildings, and Equipment	\$ 64,590,500	\$ -	\$ 64,590,500
Available for Programs	11,500,331	-	11,500,331
For Every Woman Bus Purchase	-	189,500	189,500
Village of Hope HVAC Upgrade	-	150,000	150,000
Housing Acquisition Fund	-	312,376	312,376
	<u>-\$ 76,090,831</u>	<u>\$ 651,876</u>	<u>\$ 76,742,707</u>
Total			
September 30, 2022			
Investment in Land, Buildings, and Equipment	\$ 65,266,725	\$ -	\$ 65,266,725
Available for Programs	7,448,901	-	7,448,901
Housing Acquisition Fund	-	312,376	312,376
	<u>\$ 72,715,626</u>	<u>\$ 312,376</u>	<u>\$ 73,028,002</u>
Total			

NOTE 6 EMPLOYEE BENEFIT PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the IRC. The plan covers all full-time employees of the Organization. Employees may make contributions to the plan immediately upon starting employment for up to the maximum amount allowed by the IRC. The Organization contributes 50% of the employee's contribution for eligible employees. Employer contributions to this plan for the years ended September 30, 2023 and 2022, were \$160,662 and \$136,893, respectively.

The Organization also maintains a tax-deferred annuity plan qualified under Section 457 of the IRC. The plan covers certain full-time employee directors of the Organization. These employees may make contributions to the plan beginning in the calendar year following the employee's first anniversary for up to the maximum amount allowed by the IRC. The Organization contributes 50% of the eligible employee's contribution. Employer contributions to this plan for the years ended September 30, 2023 and 2022, were \$22,827 and \$18,000, respectively.

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NOTE 7 RELATED-PARTY TRANSACTIONS

A board member provided legal services in the amount of \$1,170 and \$1,980 for the years ended September 30, 2023 and 2022, respectively.

OCRM maintains a close financial relationship with Hurtt Family Health Clinic (the Clinic) through a shared-services agreement and a lease agreement for use of space at the Village of Hope, which is owned and operated by OCRM. Total amounts reimbursed for shared services were \$667,115 and \$554,278 for the years ended September 30, 2023 and 2022, respectively. Rental income received for the years ended September 30, 2023 and 2022, was \$141,956 and \$141,956, respectively, for the Village of Hope.

NOTE 8 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 22, 2024, which is the date the consolidated financial statements were available to be issued.



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