



Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2013 and 2012

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Orange County Rescue Mission, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orange County Rescue Mission, Inc. and Subsidiary as of September 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Discontinued Operations

During the year-ended September 30, 2013, the board structure of Hurtt Family Health Clinic was changed and that entity is no longer consolidated into the financial statements of Orange County Rescue Mission, Inc. and Subsidiary (see Footnote 10). Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Brea, California
January 24, 2014

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	September 30,	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 2,187,030	\$ 2,232,120
Inventory-gift-in-kind	209,761	172,888
Inventory-medication	-	11,201
Grants receivable	23,770	208,962
Accounts receivables (net of allowance)	30,144	448,308
Prepaid expenses	285,917	301,534
Deposits	21,776	36,857
Land, buildings, and equipment - net	40,499,975	41,821,257
Total Assets	<u>\$ 43,258,373</u>	<u>\$ 45,233,127</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 364,699	\$ 361,005
Accrued expenses	224,405	315,737
Security deposits held	11,500	9,000
	<u>600,604</u>	<u>685,742</u>
Net assets:		
Unrestricted	42,657,769	44,547,385
	<u>42,657,769</u>	<u>44,547,385</u>
Total Liabilities and Net Assets	<u>\$ 43,258,373</u>	<u>\$ 45,233,127</u>

See notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 7,678,256	\$ -	\$ 7,678,256	\$ 8,392,777	\$ -	\$ 8,392,777
Gift-in-kind activity	3,770,124	-	3,770,124	4,599,257	-	4,599,257
Investment income	1,976	-	1,976	2,465	-	2,465
Rental income / Program fees	384,949	-	384,949	260,467	-	260,467
Other	155,259	-	155,259	65,802	-	65,802
Total Support, Revenue, and Reclassifications	<u>11,990,564</u>	<u>-</u>	<u>11,990,564</u>	<u>13,320,768</u>	<u>-</u>	<u>13,320,768</u>
EXPENSES:						
Program services	9,796,369	-	9,796,369	10,776,631	-	10,776,631
Supporting activities:						
Management and general	1,199,011	-	1,199,011	1,418,997	-	1,418,997
Fundraising	1,539,337	-	1,539,337	1,471,250	-	1,471,250
	<u>2,738,348</u>	<u>-</u>	<u>2,738,348</u>	<u>2,890,247</u>	<u>-</u>	<u>2,890,247</u>
Total Expenses	<u>12,534,717</u>	<u>-</u>	<u>12,534,717</u>	<u>13,666,878</u>	<u>-</u>	<u>13,666,878</u>
Change in Net Assets from Operations Before Discontinued Operations	(544,153)	-	(544,153)	(346,110)	-	(346,110)
Discontinued operations (See Note 10)	<u>(1,345,463)</u>	<u>-</u>	<u>(1,345,463)</u>	<u>192,726</u>	<u>-</u>	<u>192,726</u>
Change in Net Assets	(1,889,616)	-	(1,889,616)	(153,384)	-	(153,384)
Net Assets, Beginning of Year	<u>44,547,385</u>	<u>-</u>	<u>44,547,385</u>	<u>44,700,769</u>	<u>-</u>	<u>44,700,769</u>
Net Assets, End of Year	<u>\$ 42,657,769</u>	<u>\$ -</u>	<u>\$ 42,657,769</u>	<u>\$ 44,547,385</u>	<u>\$ -</u>	<u>\$ 44,547,385</u>

See notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

	Year Ended September 30, 2013				Year Ended September 30, 2012			
	Program Ministries	Support Activities			Program Ministries	Support Activities		
		General and Administrative	Fundraising	Total		General and Administrative	Fundraising	Total
Direct Assistance - Food, clothing, health care education, recreation, childcare	\$ 4,768,612	\$ -	\$ -	\$ 4,768,612	\$ 5,583,476	\$ -	\$ -	\$ 5,583,476
Direct marketing	-	55,932	455,560	511,492	-	219,794	409,954	629,748
Public education	-	301,073	685,544	986,617	-	339,533	587,546	927,079
Information technologies	143,938	18,467	10,183	172,588	139,030	20,346	10,173	169,549
Compensation and related expenses	2,549,663	515,307	368,368	3,433,338	2,888,485	606,812	435,999	3,931,296
Professional fees	80,198	180,048	-	260,246	66,447	117,589	-	184,036
Insurance	119,250	3,225	1,100	123,575	116,437	3,149	1,074	120,660
Occupancy, utilities and maintenance	756,362	12,907	4,401	773,670	596,407	16,243	5,538	618,188
Depreciation	1,170,948	31,670	10,800	1,213,418	1,205,796	30,102	10,264	1,246,162
Vehicles	101,707	1,051	1,681	104,439	93,428	1,700	1,164	96,292
Supplies	80,810	76,249	-	157,059	67,520	60,860	8,102	136,482
Dues, subscriptions and training	24,881	3,082	1,700	29,663	19,605	2,869	1,436	23,910
Total	\$ 9,796,369	\$ 1,199,011	\$ 1,539,337	\$ 12,534,717	\$ 10,776,631	\$ 1,418,997	\$ 1,471,250	\$ 13,666,878

See notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,889,616)	\$ (153,384)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,213,418	1,246,162
Loss on disposal of fixed assets	354,480	-
Donated assets	-	(26,600)
Change in operating assets and liabilities:		
Inventory	(25,672)	96,436
Grants receivable	185,192	(872)
Accounts receivable	418,164	(305,252)
Prepaid expenses	15,617	(11,681)
Deposits	15,081	(16,613)
Accounts payable	3,694	(75,826)
Accrued expenses	(88,832)	64,803
Net Cash Provided by Operating Activities	201,526	817,173
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(246,616)	(659,790)
Net Cash Used in Investing Activities	(246,616)	(659,790)
Net Change in Cash and Cash Equivalents	(45,090)	157,383
Cash and Cash Equivalents, Beginning of Year	2,232,120	2,074,737
Cash and Cash Equivalents, End of Year	\$ 2,187,030	\$ 2,232,120

See notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

1. NATURE OF ORGANIZATION:

Orange County Rescue Mission, Inc. (OCRM) was formed to provide emergency and transitional care of homeless individuals and families. Our mission is to minister the love of Jesus Christ to the least, the last, and the lost of our community through the provision of assistance in the areas of guidance, counseling, education, job training, shelter, food, clothing, health care and independent living communities.

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

Our values as an organization are to provide: inspiration of hope in those we serve; excellence in everything we do; leadership centered on servanthood; respect for each person as an individual; integrity and accountability, while moving our students toward self-sufficiency with a commitment to spiritual, emotional, social and vocational growth and maintaining an environment that fosters teamwork, success and trust.

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. Operations and activities prior to that date have been accounted for as if such operations and activities were those of the incorporated organization.

Basis of Presentation

The financial statements of OCRM have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Under FASB Accounting Standards Codification (ASC) 958-205, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. OCRM does not have permanently restricted net assets at September 30, 2013 and 2012.

Principles of Consolidation

In the year-ended September 30, 2012, the consolidated financial statements include the accounts of the OCRM, Hurtt Family Health Clinic (HURTT) and Inland Empire Rescue Mission (IERM), collectively known as the Organization. IERM also does business as Corona Norco Rescue Mission (CNRM) and Temecula Murrieta Rescue Mission (TMRM). HURTT and IERM are consolidated since OCRM has both an economic interest in and control of HURTT and IERM through the same governing board. All material inter-company transactions have been eliminated.

In the year-ended September 30, 2013, the consolidated financial statements include the accounts of OCRM and Inland Empire Rescue Mission (IERM), collectively known as the Organization. In January of 2013, the Hurtt Family Health Clinic board of directors became a separate board of directors than that of the Orange County Rescue Mission and the Inland Empire Rescue Mission. As a result, the financial results for the entity after that date are not included in these consolidated financial statements.

For both years, revenues and expenses for HURTT are netted together and shown as activities from discontinued operations on the consolidated statements of activities.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting for Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions.

Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to the unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Organization reports both the revenue and the related expense in the unrestricted net asset class.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

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 investment income in the accompanying consolidated statements of activities.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State of California.

Donated Goods and Gift-In-Kind Inventory

Material gifts-in-kind are used in the Organization's programs and donated goods distributed are recorded at fair market value on the date of the donation as in-kind contributions and 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 inventory is recorded at its fair value at the date of the donation. A physical count of items on hand at the end of the year is performed to determine the inventory on the consolidated statements of financial position at September 30, 2013 and 2012.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 non-financial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. Such items are charged to operations as appropriate. Management has estimated the fair value of recognized services for the years ended September 30, 2013 and 2012 to be \$874,945 and \$1,220,598, respectively.

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, 2013 and 2012 to be \$803,787 and \$1,011,504, respectively. These have not been recorded in the consolidated statements of activities. 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 US Department of Labor.

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>Asset Type</u>	<u>Useful life</u>	<u>Depreciation Method</u>
Buildings	27-40 years	Straightline
Building improvements	7 years	Straightline
Equipment and furniture	5-7 years	Straightline
Vehicles	5 years	Straightline

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended September 30, 2013 and 2012 were \$686,250 and \$581,512, respectively.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Fair Value of Financial Instruments

Financial and nonfinancial assets and liabilities are recorded at their fair market value in accordance with 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 input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets

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

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows and financial position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Deposits with various banks and broker dealers may, at times, exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on knowledge and estimates made by management

Uncertain Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of September 30, 2013 and 2012, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Organization files information tax returns in the U.S. and various states. The Organization is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

Allocation of Joint Costs

The Organization has adopted the Joint Cost topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This statement requires that all costs that contain any fundraising appeal be allocated to fundraising unless all of the following conditions are met: purpose, audience and content. For the years ended September 30, 2013 and 2012, the Organization incurred the following joint costs:

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:
Allocation of Joint Costs, Continued

	Management and General	Fundraising
September 30, 2013		
Newsletters	\$ 216,090	\$ 6,864
September 30, 2012		
Newsletters	\$ 264,417	\$ 13,917

3. GRANTS RECEIVABLE:
 Grants receivable consist of:

	September 30,	
	2013	2012
Proposition 10 Funding - County of Orange	\$ -	\$ 96,250
TSR (Tobacco Service Revenue)- County of Orange	-	30,524
At Risk Funding- County of Orange	23,770	26,605
FQHC (Federal Quality Health Care Center) Funding Department of Health and Human Services	-	55,583
	\$ 23,770	\$ 208,962

At September 30, 2013 and 2012, management believes these amounts are fully collectible and no allowances have been established.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

4. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	September 30,	
	2013	2012
Land	\$ 15,915,007	\$ 15,915,007
Buildings and improvements	29,220,563	29,731,398
Furniture and equipment	1,900,606	1,778,444
Artwork	1,399,224	1,399,224
Vehicles	500,066	1,038,503
	48,935,466	49,862,576
Less accumulated depreciation	(8,435,491)	(8,041,319)
	\$ 40,499,975	\$ 41,821,257

5. 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 guidelines and rent is set based upon the 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 lifted. The Organization's purpose and mission is to provide this type of transitional housing to at risk families and 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 are recognized as income and no debt obligation has been recorded on the books. Management is not aware of any violations of these agreements. The contingent liability if the Organization were to default on these notes is 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, a political subdivision of the State of California and 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 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 and payable in annual interest-only installments of \$24,000. 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 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.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

5. CONTINGENT LIABILITIES, continued:

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 (Prop10), a political subdivision of the State of California. 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 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 Housing Temecula – County of Riverside

The Organization has an interest-free promissory note due in 2067 with the Redevelopment Agency of the County of Riverside. It is secured by a deed of trust on four homes that are used as transitional housing. The Organization is not obliged to make principal or interest payments during the term of this note provided the property is used exclusively for the purpose of the program, which is transitional housing for families.

At September 30, 2013 and 2012, the outstanding balances and accrued interest, if applicable, are as follows:

	2013	2012
Hope Family Housing El Modena - County of Orange	\$ 754,627	\$ 764,344
Hope Family Housing Buena Park - Buena Park	1,222,164	1,191,408
Hope Family Housing Buena Park - Prop 10	893,584	987,462
Hope Family Housing Temecula - Country of Riverside	996,000	996,000
	\$ 3,866,375	\$ 3,939,214

6. NET ASSETS:

Net assets consists of the follow as of :

	September 30,	
	2013	2012
Unrestricted net assets:		
Invested in land, buildings and equipment	\$ 40,499,975	\$ 41,821,257
Available for programs	2,157,794	2,726,128
Total unrestricted net assets	\$ 42,657,769	\$ 44,547,385

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

7. EMPLOYEE BENEFIT PLAN:

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees of the Organization. Employees may make contributions to the plan, beginning in the calendar year following the employee's first anniversary, up to the maximum amount allowed by the Internal Revenue Code. The Organization contributes 50% of the eligible employee's contribution. Employer contributions to this plan for the years ended September 30, 2013 and 2012, were \$70,669 and \$71,325, respectively.

The Organization also maintains a tax-deferred annuity plan qualified under Section 457 of the Internal Revenue Code. The plan covers all 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, up to the maximum amount allowed by the Internal Revenue Code. The Organization contributes 50% of the eligible employees' contribution. Employer contributions to this plan for the years ended September 30, 2013 and 2012, were \$7,839 and \$7,267, respectively.

8. RELATED PARTY TRANSACTIONS:

Donations in the amount of \$32,995 and \$148,785 were received for unrestricted purposes from various members of the Organization's board of directors during the years ended September 30, 2013 and 2012, respectively. A board member also provided legal services in the amount of \$9,005 and \$10,500 for the years ended September 30, 2013 and 2012, respectively.

9. AFFILIATED ENTITIES:

In January 2013, the majority of the board of directors of the Orange County Rescue Mission resigned as board of directors of the Hurtt Family Health Clinic, Inc. and new directors were approved to comply with federal regulations for a Federally Qualified Health Clinic. These federal regulations require that the board of directors be made up of at least 51% users of the clinic and be representative of the population of the clinic. The Orange County Rescue Mission maintains a close financial relationship with Hurtt Family Health Clinic, Inc. through a shared services agreement and through a lease agreement for use of space at the Village of Hope which is owned and operated by the Orange County Rescue Mission.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

10. DISCONTINUED OPERATIONS:

As noted in footnote 9, the operations of the Hurtt Family Health Clinic, Inc. were separated from the Organization. The activities of the Clinic have been removed from those of the Organization on the consolidated statements of activities.

A summary of the Clinic's activities recorded in discontinued operations are as follows:

	September 30,	
	2013	2012
Revenue	\$ 750,306	\$ 3,134,632
Expenses	(662,428)	(2,941,906)
Transfer of net assets	(1,433,341)	-
Net (loss) gain on discontinued operations	<u>\$ (1,345,463)</u>	<u>\$ 192,726</u>

11. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.