



Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Orange County Rescue Mission, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, 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.

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 the consolidated 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 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 Organization'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 Organization'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 Subsidiaries
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 Subsidiaries as of September 30, 2017 and 2016, 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.

Capin Crouse LLP

Brea, California
February 15, 2018

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	September 30,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and cash equivalents	\$ 5,801,794	\$ 4,783,909
Investments	1,307,455	1,256,177
Inventory gift-in-kind	235,537	158,800
Accounts receivable	6,301	6,991
Prepaid expenses	237,334	264,684
Deposits	500	15,954
Property held for sale	1,835,433	1,802,408
Land, buildings, and equipment - net	<u>42,581,157</u>	<u>43,007,751</u>
Total Assets	<u>\$ 52,005,511</u>	<u>\$ 51,296,674</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 134,179	\$ 337,528
Accrued expenses	299,322	263,142
Security deposits held	20,250	15,750
	<u>453,751</u>	<u>616,420</u>
Net assets:		
Unrestricted	51,406,824	50,680,254
Temporarily restricted	144,936	-
	<u>51,551,760</u>	<u>50,680,254</u>
Total Liabilities and Net Assets	<u>\$ 52,005,511</u>	<u>\$ 51,296,674</u>

See notes to consolidated financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 9,705,571	\$ 144,936	\$ 9,850,507	\$ 10,128,931	\$ -	\$ 10,128,931
Gift-in-kind activity	10,199,467	-	10,199,467	8,778,640	-	8,778,640
Rental income / Program fees	643,575	-	643,575	625,676	-	625,676
Other	589,968	-	589,968	306,096	-	306,096
Net assets released from restrictions:						
Satisfaction of donor restrictions	-	-	-	50,037	(50,037)	-
Total Support, Revenue, and Reclassifications	21,138,581	144,936	21,283,517	19,889,380	(50,037)	19,839,343
EXPENSES:						
Program services	16,856,266	-	16,856,266	14,420,685	-	14,420,685
Supporting activities:						
General and administrative	1,358,769	-	1,358,769	1,279,474	-	1,279,474
Fundraising	2,196,976	-	2,196,976	2,139,193	-	2,139,193
	3,555,745	-	3,555,745	3,418,667	-	3,418,667
Total Expenses	20,412,011	-	20,412,011	17,839,352	-	17,839,352
Change in Net Assets	726,570	144,936	871,506	2,050,028	(50,037)	1,999,991
Net Assets, Beginning of Year	50,680,254	-	50,680,254	48,630,226	50,037	48,680,263
Net Assets, End of Year	<u>\$ 51,406,824</u>	<u>\$ 144,936</u>	<u>\$ 51,551,760</u>	<u>\$ 50,680,254</u>	<u>\$ -</u>	<u>\$ 50,680,254</u>

See notes to consolidated financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

	Year Ended September 30, 2017				Year Ended September 30, 2016			
	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	\$ 10,637,660	\$ -	\$ -	\$ 10,637,660	\$ 8,768,398	\$ -	\$ -	\$ 8,768,398
Compensation and related expenses	2,704,304	451,723	514,566	3,670,593	2,395,581	463,161	368,900	3,227,642
Depreciation	1,236,741	26,883	9,167	1,272,791	1,174,629	24,946	8,507	1,208,082
Public education	-	282,585	885,364	1,167,949	-	320,230	935,325	1,255,555
Occupancy, utilities, and maintenance	1,110,295	20,879	7,173	1,138,347	1,150,735	18,194	6,203	1,175,132
Direct marketing	-	74,670	672,031	746,701	-	71,008	639,067	710,075
Professional fees	119,597	379,491	47,391	546,479	147,779	286,485	131,386	565,650
Supplies	222,896	75,338	26,187	324,421	139,769	48,962	16,000	204,731
Information technologies	185,161	37,934	28,134	251,229	173,433	35,535	26,355	235,323
Insurance	189,046	5,113	1,744	195,903	160,480	4,340	1,480	166,300
Vehicles	156,863	-	2,339	159,202	101,021	887	1,723	103,631
Dues, subscriptions, and training	19,397	4,153	2,880	26,430	31,294	5,726	4,247	41,267
Other	274,306	-	-	274,306	177,566	-	-	177,566
Total	\$ 16,856,266	\$ 1,358,769	\$ 2,196,976	\$ 20,412,011	\$ 14,420,685	\$ 1,279,474	\$ 2,139,193	\$ 17,839,352

See notes to consolidated financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 871,506	\$ 1,999,991
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated inventory	(6,941,416)	(4,837,736)
Distributed inventory	6,864,679	4,946,498
Depreciation	1,272,791	1,208,082
Donated assets	(46,975)	(995,000)
(Gain) loss on investments	(4,303)	66,484
Change in operating assets and liabilities:		
Accounts receivable	690	(234)
Prepaid expenses	27,350	22,389
Deposits and security deposits	19,954	-
Accounts payable	(203,349)	2,144
Accrued expenses	36,180	(1,610)
Net Cash Provided by Operating Activities	1,897,107	2,411,008
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(879,222)	(876,884)
Investment purchases	-	(1,133,661)
Net Cash Used in Investing Activities	(879,222)	(2,010,545)
Net Change in Cash and Cash Equivalents	1,017,885	400,463
Cash and Cash Equivalents, Beginning of Year	4,783,909	4,383,446
Cash and Cash Equivalents, End of Year	\$ 5,801,794	\$ 4,783,909

See notes to consolidated financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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.

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.

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.

Basis of Presentation

The consolidated 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 Financial Accounting Standards Board (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. The Organization had no permanently restricted net assets at September 30, 2017 and 2016.

Principles of Consolidation

In the years ended September 30, 2017 and 2016, the consolidated financial statements include the accounts of OCRM, Inland Empire Rescue Mission (IERM), and Hope Family Housing (HFH), collectively known as the Organization. IERM also does business as Corona Norco Rescue Mission (CNRM) and Temecula Murrieta Rescue Mission (TMRM). HFH did not have any activity during the years ended September 30, 2017 and 2016. During the year ended September 30, 2015, the Organization was given control over another nonprofit known as Laurel House (LH), which is consolidated within these financial statements. LH is an organization dedicated to assisting troubled girls and fits within the mission of the Organization.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting for Contributions

Contributions are recorded when cash or unconditional promises to give have been received, or ownership of donated assets is transferred to the Organization.

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 the consolidated 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 other income in the accompanying consolidated statements of activities. As of years ended September 30, 2017 and 2016, the securities included in investments are considered Level 1 of the fair value hierarchy. Adjustments to the valuation of investments are included in other income on the consolidated statements of activities.

Donated Goods and Gift-In-Kind Inventory

Material gifts-in-kind are used in the Organization's programs and 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. 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, 2017 and 2016.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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, 2017 and 2016 to be \$2,703,154 and \$2,817,083, respectively and are included in gift-in-kind activity on the consolidated statements of activities.

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, 2017 and 2016 to be \$3,979,950 and \$3,732,991, respectively. These 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 US Department of Labor.

Asset Held for Sale

During the year ended September 30, 2016, the Organization declared its intention to sell Double R Ranch and actively sought a buyer for the property. The asset was reclassified to an asset held for sale. In the current year, there has been no change to the property or the Organization's intent to sell. For the year ended September 30, 2017, \$33,025 of improvements to property were purchased and the asset held has a net book value of \$1,835,433. As an asset held for sale, no depreciation was taken on the property in the current fiscal year.

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	5-10 years	Straightline
Vehicles	5 years	Straightline

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

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2017 and 2016, were \$747,922 and \$780,261, respectively.

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

All assets held at fair value fall within the Level 1 category.

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 activities based on knowledge and estimates made by management

Reclassification

Certain aspects of these financial statements have been modified to conform to current year presentation. Specifically, \$150,420 from related party occupancy costs was included as a reduction of program expenses in the consolidated statements of activities in the year ended September 30, 2016. That amount has been reclassified as rental income to conform to the current year presentation.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2017 and 2016, the Organization incurred the following joint costs:

	Management and General	Fundraising
Year-ended September 30, 2017		
Newsletters	\$ 105,531	\$ 8,148
Year-ended September 30, 2016		
Newsletters	\$ 86,880	\$ 9,992

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2017	2016
Investments held at fair value:	\$ 51,000	\$ 126,486
Investments held at other than fair value		
Money market accounts	254,185	128,675
Certificate of deposit	1,002,270	1,001,016
	\$ 1,307,455	\$ 1,256,177

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

4. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	September 30,	
	2017	2016
Land	\$ 16,656,296	\$ 16,656,296
Buildings and improvements	33,520,294	32,883,747
Furniture and equipment	3,173,630	3,010,425
Artwork	1,399,224	1,399,224
Vehicles	593,653	568,742
	<u>55,343,097</u>	<u>54,518,434</u>
Less accumulated depreciation	<u>(12,761,940)</u>	<u>(11,510,683)</u>
Land, buildings, and equipment - net	<u>\$ 42,581,157</u>	<u>\$ 43,007,751</u>

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 or demographic 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 have been 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.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

5. CONTINGENT LIABILITIES, continued:

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 \$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 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 (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 Murrieta – 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.

Hope Family Housing Corona - City of Corona

The Organization has an interest-free promissory note due in April 2069 with the City of Corona. It is secured by a deed of trust on two buildings at 926 and 932 W 5th Street, Corona, California that is comprised of 12 apartments. 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 the end of the 55-year term, the amount of the note is forgiven in full.

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. 1/30th of the principal and interest balance is forgiven annually. It is secured by a deed of trust on the property known as Hope Family Veteran Housing. 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 for veterans, as defined in the loan agreement.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

5. CONTINGENT LIABILITIES, continued:

At September 30, 2017 and 2016, the outstanding balances and accrued interest, if applicable, are as follows:

	September 30,	
	2017	2016
Hope Family Housing El Modena - County of Orange	\$ 712,757	\$ 723,693
Hope Family Housing Buena Park - Buena Park	1,345,188	1,314,432
Hope Family Housing Buena Park - Prop 10	625,889	696,650
Hope Family Housing Murrieta - Country of Riverside	996,000	996,000
Hope Family Housing Corona - City of Corona	459,961	459,961
Hope Family Veterans Housing - City of Tustin	502,557	514,725
	\$ 4,642,352	\$ 4,705,461

6. NET ASSETS:

Net assets consist of the following:

	September 30,	
	2017	2016
Unrestricted net assets:		
Investment in land, buildings, and equipment	\$ 42,581,157	\$ 43,007,751
Board designated for expansion fund	1,500,000	1,500,000
Available for programs	7,325,667	6,172,503
Total unrestricted net assets	\$ 51,406,824	\$ 50,680,254
Temporarily restricted net assets:		
Boys Home in progress	\$ 144,936	\$ -

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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 immediately upon starting employment, up to the maximum amount allowed by the Internal Revenue Code. The Organization contributes 50% of the employee's contribution for eligible employees. Employer contributions to this plan for the years ended September 30, 2017 and 2016, were \$47,338 and \$61,367, respectively.

The Organization also maintains a tax-deferred annuity plan qualified under Section 457 of the Internal Revenue Code. 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, 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, 2017 and 2016, were \$32,250 and \$26,295, respectively.

8. RELATED PARTY TRANSACTIONS:

A board member provided legal services in the amount of \$4,912 and \$5,248 for the years ended September 30, 2017 and 2016, respectively. Additionally, during the years ended September 30, 2017 and 2016, a company owned by a board member performed \$233,693 and \$0 in construction services, respectively.

The Orange County Rescue Mission maintains a close financial relationship with Hurtt Family Health Clinic (the Clinic) 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. Total amounts reimbursed for shared services was \$521,196 and \$377,224, for the years ended September 30, 2017 and 2016, respectively. Rental expenses received were \$150,420 for the years ended September 30, 2017 and 2016, respectively.

9. SUBSEQUENT EVENT:

Subsequent events were evaluated through February 15, 2018, which is the date the financial statements were available to be issued.