

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Orange County Rescue Mission, Inc. and Subsidiaries, which comprise the financial position as of September 30, 2021 and 2020, 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 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 auditors' 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 Subsidiaries

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, 2021 and 2020, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
January 25, 2022

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 5,085,985	\$ 9,450,739
Investments	221,529	370,097
Gift-In-Kind Inventory	119,743	183,256
Accounts Receivable	120,776	166,725
Prepaid Expenses and Deposits	112,260	102,774
Land, Buildings, and Equipment, at Net Book Value	64,726,927	47,187,274
Total Assets	\$ 70,387,220	\$ 57,460,865
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 393,755	\$ 352,392
Accrued Expenses	765,637	692,559
Note Payable	-	865,200
Security Deposits Held	29,114	15,500
Total Liabilities	1,188,506	1,925,651
NET ASSETS		
Without Donor Restrictions	68,886,338	55,222,838
With Donor Restrictions	312,376	312,376
Total Net Assets	69,198,714	55,535,214
Total Liabilities and Net Assets	\$ 70,387,220	\$ 57,460,865

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 20,923,457	\$ -	\$ 20,923,457
Gift-In-Kind Contributions	16,197,906	-	16,197,906
Rental Income/Program Fees	744,147	-	744,147
Other	972,300	-	972,300
Net Assets Released from Restrictions	-	-	-
Total Revenues and Other Support	<u>38,837,810</u>	<u>-</u>	<u>38,837,810</u>
EXPENSES			
Program Services:			
Ministries	21,374,026	-	21,374,026
Supporting Services:			
General and Administrative	1,128,728	-	1,128,728
Fundraising	2,671,556	-	2,671,556
Total Supporting Services	<u>3,800,284</u>	<u>-</u>	<u>3,800,284</u>
Total Expenses	<u>25,174,310</u>	<u>-</u>	<u>25,174,310</u>
INCREASE (DECREASE) IN NET ASSETS	13,663,500	-	13,663,500
Net Assets - Beginning of Year	<u>55,222,838</u>	<u>312,376</u>	<u>55,535,214</u>
NET ASSETS - END OF YEAR	<u>\$ 68,886,338</u>	<u>\$ 312,376</u>	<u>\$ 69,198,714</u>

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and Grants	\$ 17,925,173	\$ -	\$ 17,925,173
Gift-In-Kind Contributions	11,690,556	-	11,690,556
Rental Income/Program Fees	1,121,850	-	1,121,850
Other	402,042	-	402,042
Net Assets Released from Restrictions	-	-	-
Total Revenues and Other Support	31,139,621	-	31,139,621
EXPENSES			
Program Services:			
Ministries	22,825,164	-	22,825,164
Supporting Services:			
General and Administrative	971,588	-	971,588
Fundraising	3,414,950	-	3,414,950
Total Supporting Services	4,386,538	-	4,386,538
Total Expenses	27,211,702	-	27,211,702
INCREASE (DECREASE) IN NET ASSETS	3,927,919	-	3,927,919
Net Assets - Beginning of Year	51,294,919	312,376	51,607,295
NET ASSETS - END OF YEAR	\$ 55,222,838	\$ 312,376	\$ 55,535,214

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare (Includes Gifts In-Kind)	\$ 12,441,742	\$ -	\$ -	\$ 12,441,742
Compensation and Related Expenses	4,190,715	797,914	1,109,260	6,097,889
Depreciation	1,608,387	26,579	28,891	1,663,857
Public Education	-	-	416,747	416,747
Occupancy, Utilities, and Maintenance	1,485,823	15,549	16,902	1,518,274
Direct Marketing	-	-	1,032,550	1,032,550
Professional Fees	439,687	187,283	-	626,970
Supplies	493,049	69,259	26,192	588,500
Information Technologies	280,974	5,510	34,411	320,895
Insurance	228,350	4,863	4,619	237,832
Vehicles	190,590	-	-	190,590
Dues, Subscriptions, and Training	10,010	7,795	1,984	19,789
Other	4,699	13,976	-	18,675
Total Expenses by Function	\$ 21,374,026	\$ 1,128,728	\$ 2,671,556	\$ 25,174,310

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare (Includes Gifts In-Kind)	\$ 14,245,932	\$ -	\$ -	\$ 14,245,932
Compensation and Related Expenses	4,093,370	549,952	961,282	5,604,604
Depreciation	1,517,032	25,495	27,712	1,570,239
Public Education	-	-	253,701	253,701
Occupancy, Utilities, and Maintenance	1,467,055	15,849	17,065	1,499,969
Direct Marketing	-	-	2,055,617	2,055,617
Professional Fees	141,503	267,683	10,560	419,746
Supplies	550,969	92,352	56,431	699,752
Information Technologies	291,697	6,145	28,544	326,386
Insurance	199,609	3,715	4,038	207,362
Vehicles	186,100	-	-	186,100
Dues, Subscriptions, and Training	10,998	-	-	10,998
Other	120,899	10,397	-	131,296
Total Expenses by Function	<u>\$ 22,825,164</u>	<u>\$ 971,588</u>	<u>\$ 3,414,950</u>	<u>\$ 27,211,702</u>

See accompanying Notes to Consolidated Financial Statements.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 13,663,500	\$ 3,927,919
Noncash Items Included in Increase (Decrease) in Net Assets:		
Donated Inventory	(7,944,434)	(8,142,503)
Distributed Inventory	8,007,947	8,142,663
Depreciation	1,663,857	1,570,239
Donated Stock	(5,133,929)	(154,491)
Gain on Investments	(9,230)	2,770
Assets Transferred to City of Corona	-	1,496,497
Donated Land and Buildings	(5,600,000)	-
Assets Transferred to Riverside County	738,106	-
Gain on Sale of Assets	(6,743)	-
Paycheck Protection Program	(865,200)	-
(Increase) Decrease in Assets:		
Accounts Receivable	45,949	(68,931)
Prepaid Expenses	(9,486)	116,245
Increase (Decrease) in Liabilities:		
Accounts Payable	41,363	20,973
Accrued Expenses and Security Deposits Held	86,692	174,146
Net Cash Provided by Operating Activities	4,678,392	7,085,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(14,349,173)	(5,944,593)
Proceeds from Sale of Assets	14,300	-
Sale of Investments	5,291,727	-
Net Cash Used by Investing Activities	(9,043,146)	(5,944,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	865,200
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,364,754)	2,006,134
Cash and Cash Equivalents - Beginning of Year	9,450,739	7,444,605
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,085,985	\$ 9,450,739
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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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.

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, 2021 AND 2020

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. The Organization has not experienced any losses on these accounts.

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.

Donated Goods and Gift-in-Kind Inventory

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. 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, 2021 and 2020.

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, 2021 and 2020, was \$2,397,279 and \$3,548,053, respectively, which is included in gift-in-kind activity in 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, 2021 and 2020, to be \$3,389,993 and \$4,698,077, 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, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, were \$319,424 and \$436,253, 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.

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.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair value of assets measured on a recurring basis at September 30, 2021 and 2020 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>September 30, 2021</u>				
Investments:				
Aegis Asset-Backed Securities, LLC	\$ 198,089	\$ -	\$ 198,089	\$ -
Money Market Accounts	23,440	23,440	-	-
Total	<u>\$ 221,529</u>	<u>\$ 23,440</u>	<u>\$ 198,089</u>	<u>\$ -</u>
<u>September 30, 2020</u>				
Investments:				
Aegis Asset-Backed Securities, LLC	\$ 200,000	\$ -	\$ 200,000	\$ -
Money Market Accounts	170,097	170,097	-	-
Total	<u>\$ 370,097</u>	<u>\$ 170,097</u>	<u>\$ 200,000</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.

Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several U.S. states, including California where the Organization is headquartered, have declared a state of emergency.

The Organization is substantially supported by contributions and grants. At this time, the Organization cannot anticipate all the ways in which a health pandemic such as COVID-19 can adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement – Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 establishes new revenue recognition guidance (ASC 606), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. No cumulative effect adjustment in net assets was needed as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

New Accounting Pronouncement – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), with subsequent *improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20*. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,085,985	\$ 9,450,739
Investments	221,529	370,097
Accounts Receivable	<u>120,776</u>	<u>166,725</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,428,290</u>	<u>\$ 9,987,561</u>

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 3 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 22,663,292	\$ 19,448,292
Buildings and Improvements	52,095,147	37,088,964
Equipment and Furniture	4,089,186	3,951,831
Artwork	1,399,224	1,399,224
Vehicles	1,023,758	972,105
Construction in Progress	<u>1,110,502</u>	<u>792,235</u>
Total	82,381,109	63,652,651
Less: Accumulated Depreciation	<u>(17,654,182)</u>	<u>(16,465,377)</u>
Land, Buildings, and Equipment, Net	<u>\$ 64,726,927</u>	<u>\$ 47,187,274</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, 2021. The improvements/repairs are expected to be completed in 2022 and the buildings will be placed in service when the improvements/repairs are completed. Construction in progress at September 30, 2020, for the Laurel House boys home was completed in March 2021.

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.

The contingent liability if the Organization were to default on these notes is disclosed below.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 4 CONTINGENT LIABILITIES (CONTINUED)

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 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 that the property is used exclusively for the purpose of the program, which is transitional housing for families. During the year ended September 30, 2021, the Organization decided to discontinue the operations in Corona and donated the property back to the County of Riverside. The transaction resulted in a donated asset expense of \$738,106 and is reported on the consolidated statement of activities for the year ended September 30, 2021.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 4 CONTINGENT LIABILITIES (CONTINUED)

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 located at 926 and 932 W 5th Street, Corona, California, that are composed of 12 apartments. 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. At the end of the 55-year term, the amount of the note is forgiven in full. During the year ended September 30, 2020, the Organization decided to discontinue the operations in Corona and donated the property back to the City of Corona. The transaction resulted in donated asset expense of \$1,496,498 and is reported on the consolidated statement of activities for the year ended September 30, 2020.

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, 2021 and 2020, the outstanding balances and accrued interest, if applicable, are as follows:

	<u>2021</u>	<u>2020</u>
Hope Family Housing El Modena - County of Orange	\$ 665,631	\$ 677,940
Hope Family Housing Buena Park - City of Buena Park	1,468,212	1,437,456
Hope Family Housing Buena Park - Prop 10 Commission	437,194	414,157
Hope Family Housing Murrieta - County of Riverside	-	996,000
Hope Family Housing Corona - City of Corona	-	-
Hope Family Veterans Housing - City of Tustin	450,223	463,878
Total	<u>\$ 3,021,260</u>	<u>\$ 3,989,431</u>

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
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NOTE 5 NOTE PAYABLE

On April 28, 2020, the Organization signed a loan agreement through a financial institution to obtain \$865,200 in funding for a Paycheck Protection Program (PPP) loan through the Coronavirus Aid, Relief, and Economic Security Act. The loan qualifies for forgiveness if requirements set by the Small Business Administration (SBA) are met. The loan agreement provides for loan forgiveness up to the full amount of the loan. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that the SBA remits the borrower's loan forgiveness amount to the lender. The SBA forgave the loan on January 19, 2021, and the Organization has reported the \$865,200 as other income in the consolidated statement of activities for the year ended September 30, 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on thresholds and other factors. The amount of any liability; if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's consolidated financial position.

NOTE 6 NET ASSETS

Net assets consist of the following at September 30, 2021 and 2020:

September 30, 2021	Without Donor Restriction	With Donor Restrictions	Total
Investment in Land, Buildings, and Equipment	\$ 64,726,927	\$ -	\$ 64,726,927
Board-Designated Expansion Fund	-	-	-
Available for Programs	4,159,411	-	4,159,411
Housing Acquisition Fund	-	312,376	312,376
Total	<u>\$ 68,886,338</u>	<u>\$ 312,376</u>	<u>\$ 69,198,714</u>
September 30, 2020			
Investment in Land, Buildings, and Equipment	\$ 47,187,274	\$ -	\$ 47,187,274
Board-Designated Expansion Fund	1,500,000	-	1,500,000
Available for Programs	6,535,564	-	6,535,564
Housing Acquisition Fund	-	312,376	312,376
Total	<u>\$ 55,222,838</u>	<u>\$ 312,376</u>	<u>\$ 55,535,214</u>

NOTE 7 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, 2021 and 2020, were \$152,930 and \$122,077, respectively.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
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NOTE 7 EMPLOYEE BENEFIT PLAN (CONTINUED)

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, 2021 and 2020, were \$19,494 and \$18,621, respectively.

NOTE 8 RELATED-PARTY TRANSACTIONS

A board member provided legal services in the amount of \$4,862 and \$2,541 for the years ended September 30, 2021 and 2020, 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 and a lease agreement for the property El Modena (the Pearl House) located in Buena Park. The lease agreement for the El Modena property with the Clinic ended December 31, 2020. Total amounts reimbursed for shared services were \$554,278 and \$670,901 for the years ended September 30, 2021 and 2020, respectively. Rental income received for the years ended September 30, 2021 and 2020, was \$141,956 and \$162,644, respectively, for the Village of Hope and \$124,226 and \$465,264, respectively, for Pearl House.

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2022, which is the date the consolidated financial statements were available to be issued.

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