

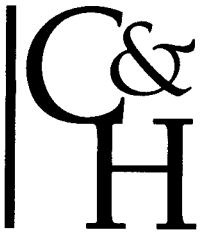
ORANGE COUNTY RESCUE MISSION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

TABLE OF CONTENTS

Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	7
Supplementary Information	
Schedules of Functional Expenses	14



INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Orange County Rescue Mission, Inc.
Tustin, California

We have audited the accompanying consolidated statements of financial position of Orange County Rescue Mission, Inc. and Subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules of Functional Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cangelosi & Holmes, Inc.

January 11, 2010

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,313,020	\$ 1,455,299
Inventory-gifts-in-kind	291,162	300,021
Inventory-medications	102,423	168,592
Contributions and grants receivable	249,013	720,157
Accounts receivable, net of allowance for doubtful accounts	38,137	27,220
Prepaid expenses	179,632	296,854
Deposits	4,685	3,090
Land, buildings and equipment	42,876,912	43,113,814
Total assets	\$ 46,054,984	\$ 46,085,047
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 230,459	\$ 344,248
Accrued expenses	249,291	235,096
Deferred revenue	50,000	0
Security deposits held	3,055	3,055
Long-term debt	3,117,268	3,169,025
Total liabilities	3,650,073	3,751,424
 Net assets		
Unrestricted	42,404,911	42,333,623
Total net assets	42,404,911	42,333,623
Total liabilities and net assets	\$ 46,054,984	\$ 46,085,047

See accompanying notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and grants	\$ 8,769,467	\$ 7,712,749
In-kind contributions	5,451,258	5,386,778
Program services	542,806	419,995
Investment income	12,671	15,145
Other	88,536	56,302
Gain on sale of property	0	1,436,274
	14,864,738	15,027,243
Net assets released from restrictions		
Satisfaction of program restrictions	0	23,750,241
Total unrestricted support and revenue	14,864,738	38,777,484
Expenses		
Program services	12,033,070	10,582,829
Management and general	1,081,884	1,445,113
Fund-raising	1,678,496	1,625,962
Total expenses	14,793,450	13,653,904
Increase in unrestricted net assets	71,288	25,123,580
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	0	3,027,220
In-kind contributions	0	13,269,538
Net assets released from restrictions	0	(23,750,241)
Decrease in temporarily restricted net assets	0	(7,453,483)
Increase in net assets	71,288	17,670,097
Net assets at beginning of year	42,333,623	24,663,526
Net assets at end of year	\$ 42,404,911	\$ 42,333,623

See accompanying notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 71,288	\$ 17,670,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,036,771	880,391
Gain on sale of property	0	(1,436,273)
Net (increase) decrease in gift-in-kind inventory	75,028	(439,624)
Donated real property	0	(12,750,000)
Donated goods and services provided	(5,377,558)	(14,171,566)
Donated goods and services expensed	5,377,558	5,111,571
Noncash income from amortization of long-term debt	(82,333)	(8,382)
Noncash expense from accrual of long-term debt interest	30,576	29,564
(Increase) decreases in operating assets:		
Contributions, grants and accounts receivable	460,226	7,557,189
Prepaid expenses	117,223	73,846
Deposits	(1,595)	0
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(99,595)	(318,002)
Deferred revenue	50,000	0
	<u>1,657,589</u>	<u>2,198,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(799,868)	(4,661,213)
Sale of property	0	1,600,000
	<u>(799,868)</u>	<u>(3,061,213)</u>

See accompanying notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	\$ 0	\$ 1,525,000
Net cash provided by financing activities	0	1,525,000
Net increase in cash and cash equivalents	857,721	662,598
Cash and cash equivalents at beginning of year	1,455,299	792,701
Cash and cash equivalents at end of year	\$ 2,313,020	\$ 1,455,299
 Supplemental Disclosures		
Donated goods capitalized	\$ 0	\$ 21,809,995

See accompanying notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Orange County Rescue Mission, Inc. (the Organization) was formed to provide emergency and transitional care of homeless individuals and families. This care encompasses housing, food, counseling, healthcare, job training, personal development, education and independent living.

The Organization 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 the Organization have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Under generally accepted accounting principles, 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.

Principles of consolidation

The consolidated financial statements include the accounts of the Organization and Hurtt Family Health Clinic, Inc. (HFHC) and Temecula Murrieta Rescue Mission (TMRM). HFHC and TMRM are consolidated since the Organization has both an economic interest in and control of HFHC and TMRM through the same governing board. All material interorganization transactions have been eliminated.

Accounting for contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or 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 unrestricted net assets and reported in the activity statement 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.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting for contributions (continued)

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 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 statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

Effective July 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which provides a framework for measuring fair value under generally accepted accounting principles (GAAP). SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) - which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources; Cost approach (Level 2) - which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and Income approach (Level 3) - which uses valuation techniques to convert future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Donated goods and gift-in-kind inventory

Material gifts-in-kind items used in the Organization's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed. 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 donation. A physical count of items on hand at the end of the year is included in inventory.

Donated services

Contributed services are a significant part of the Organization's operations and are reported as contributions at their fair 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 capitalized or charged to operations as appropriate. Management has estimated the fair value of recognized services for the years ended September 30, 2009 and 2008 at \$1,972,706 and \$2,684,425, respectively.

In addition to the 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, 2009 and 2008 at \$2,115,998 and \$560,000, respectively. The value of these volunteer hours was established based upon the type of volunteer time and the hourly value of such time as determined by the US Department of Labor and is summarized as follows:

	<u>2009</u>
Board of directors	\$ 127,310
Animal husbandry	362,059
Apartment maintenance	152,816
Commercial building services	402,391
Warehouse receiving and sorting	464,667
Office admin and technology	220,044
Child care assistance	386,711
	<u>\$ 2,115,998</u>

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Medications inventory

Medications inventory consists of purchased and donated medications used in the operation of the Organization's programs. The inventory is stated at cost if purchased or recorded at its fair value at the date of donation.

Property and equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or stipulated how long the assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line and declining balance methods.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended September 30, 2009 and 2008 were minimal.

Income tax status

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

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009 AND 2008

Note 2 - Contributions and Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions and grants receivable included in the statement of financial position are expected to be collected in less than one year.

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

	2009	2008
Land and buildings	\$ 43,367,140	\$ 42,934,341
Equipment and furniture	1,709,609	1,504,002
Artwork	1,399,224	1,399,224
Vehicles	829,320	667,856
	47,305,293	46,505,423
Less accumulated depreciation	4,428,381	3,391,609
	\$ 42,876,912	\$ 43,113,814

Depreciation expense totals \$1,036,771 and \$880,391 for the fiscal years ended September 30, 2009 and 2008, respectively, and has been allocated in the functional expense schedule.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 4 - Long-term Debt Subject to Forgiveness

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. Each year that the property is used for the intended exempt purpose the principal and interest for that year is forgiven and recognized as an in-kind contribution. Management is not aware of any violations of the agreement.

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 and be expensed each year until the due date. Upon maturity of the note and after using the property for its intended exempt purpose, the total due will be forgiven and recognized as an in-kind contribution. Management is not aware of any violations of the agreement.

The Organization has an interest-free promissory note due in 2038 with the Children and Families Commission of Orange County (Prop 10), 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 a monthly 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 on an annual basis and is recognized as an in-kind contribution. Management is not aware of any violations of the agreement.

At September 30, the outstanding principal balances, and accrued interest, if applicable, of the above notes with future scheduled maturities of more than five years are as follows:

	2009	2008
Hope Family Housing El Modena – County of Orange	\$ 791,828	\$ 800,462
Hope Family Housing Buena Park – Buena Park	1,099,140	1,068,563
Hope Family Housing Buena Park – Prop 10	1,226,300	1,300,000
	\$ 3,117,268	\$ 3,169,025

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

Note 5 - Concentration of Credit Risk

The Organization maintains its cash balances with various banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2009 and 2008, the uninsured cash balance was \$895 and \$275,519 respectively.

Note 6 - 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.

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.

Pension expense amounted to \$48,585 and \$68,375 for the years ended September 30, 2009 and 2008, respectively.

Note 7 – Related Party Transactions

Donations in the amount of \$37,103 and \$191,410 were received for unrestricted purposes from various members of the Organization's board of directors during the years ended September 30, 2009 and 2008, respectively.

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARIES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Compensation and related expenses	\$ 3,361,891	\$ 526,251	\$ 452,753	\$ 4,340,895
Direct assistance	6,446,331			6,446,331
Direct marketing			471,543	471,543
Public education		305,779	708,717	1,014,496
Information technologies	142,277	17,351	13,879	173,507
Professional fees		126,408		126,408
Human resources and insurance	153,767	4,805	1,602	160,174
Utilities and maintenance	595,313	18,603	6,202	620,118
Depreciation	995,300	31,103	10,368	1,036,771
Vehicles	100,810	1,919	43	102,772
Supplies	143,762	36,333	12,414	192,509
Dues, subscriptions and training	40,287	18,100	420	58,807
Other		18,543		18,543
Interest		30,576		30,576
	<u>\$ 11,979,738</u>	<u>\$ 1,135,771</u>	<u>\$ 1,677,941</u>	<u>\$ 14,793,450</u>
	<u>81.0%</u>	<u>7.7%</u>	<u>11.3%</u>	<u>100.0%</u>

See accompanying notes to financial statements

ORANGE COUNTY RESCUE MISSION, INC. AND SUBSIDIARY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Compensation and related expenses	\$ 2,694,838	\$ 809,131	\$ 352,981	\$ 3,856,950
Direct assistance	6,002,520			6,002,520
Direct marketing			498,949	498,949
Public education		323,010	722,703	1,045,713
Information technologies	127,384	3,981	1,326	132,691
Professional fees		55,556	2,607	58,163
Rent	44,318	5,214	20,498	70,030
Human resources and insurance	130,444	35,406	5,750	171,600
Utilities and maintenance	551,986	17,250	8,804	578,040
Depreciation	845,175	26,412	220	871,807
Vehicles	82,891	1,053	11,017	94,961
Supplies	96,226	32,777	1,107	130,110
Dues, subscriptions and training	7,047	17,565		24,612
Other		4,400		4,400
Bad debts		83,794		83,794
Interest		29,564		29,564
	<u>\$ 10,582,829</u>	<u>\$ 1,445,113</u>	<u>\$ 1,625,962</u>	<u>\$ 13,653,904</u>
	<u>77.5%</u>	<u>10.6%</u>	<u>11.9%</u>	<u>100.0%</u>

See accompanying notes to financial statements