

SHARE OUR SELVES CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

SHARE OUR SELVES CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Share Our Selves Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Share Our Selves Corporation (SOS), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOS as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Share Our Selves Corporation

Report on Summarized Comparative Information

We have previously audited SOS' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016 on our consideration of SOS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SOS' internal control over financial reporting and compliance.

Green Hasson & Janks LLP

October 4, 2016
Los Angeles, California

SHARE OUR SELVES CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Totals at June 30, 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,476,665	\$ 810,886
Investments	939,139	907,641
Fee-for-Service Contracts Receivable (Net)	1,089,882	1,313,962
Contributions and Grants Receivable	206,494	248,332
Other Receivables	19,743	191,026
Inventories	22,797	37,614
Prepaid Expenses and Other Current Assets	80,516	68,249
<i>TOTAL CURRENT ASSETS</i>	3,835,236	3,577,710
OTHER ASSETS:		
Property and Equipment (Net)	4,519,812	3,433,354
Deposits and Other Assets	598,214	632,350
<i>TOTAL OTHER ASSETS</i>	5,118,026	4,065,704
<i>TOTAL ASSETS</i>	<u>\$ 8,953,262</u>	<u>\$ 7,643,414</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 659,964	\$ 520,989
Accrued Expenses	980,517	432,531
<i>TOTAL CURRENT LIABILITIES</i>	1,640,481	953,520
OTHER LIABILITIES:		
Lines of Credit	1,476,495	1,400,000
Deferred Rent	473,452	315,022
Other Long-Term Liabilities	70,804	-
<i>TOTAL OTHER LIABILITIES</i>	2,020,751	1,715,022
<i>TOTAL LIABILITIES</i>	3,661,232	2,668,542
NET ASSETS:		
Unrestricted	4,283,174	4,155,933
Temporarily Restricted	562,146	377,229
Permanently Restricted	446,710	441,710
<i>TOTAL NET ASSETS</i>	5,292,030	4,974,872
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 8,953,262</u>	<u>\$ 7,643,414</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND SUPPORT:					
Fee-for-Service (Net)	\$ 5,512,570	\$ -	\$ -	\$ 5,512,570	\$ 3,718,470
Capitation Premiums	477,099	-	-	477,099	297,964
Government Grants	2,310,175	-	-	2,310,175	1,274,988
Other Grants	2,346,578	638,689	-	2,985,267	3,267,330
Contributions	1,851,733	-	5,000	1,856,733	867,388
Special Events (Net of Direct Donor Benefits of \$122,869)	276,665	-	-	276,665	204,463
Contributed Goods and Services	2,730,279	-	-	2,730,279	2,633,829
Net Assets Released from Restrictions	453,772	(453,772)	-	-	-
TOTAL REVENUE AND SUPPORT	15,958,871	184,917	5,000	16,148,788	12,264,432
EXPENSES:					
Program Services	13,329,273	-	-	13,329,273	10,679,880
Management and General	2,052,415	-	-	2,052,415	1,061,780
Fundraising	560,951	-	-	560,951	417,980
TOTAL EXPENSES	15,942,639	-	-	15,942,639	12,159,640
OPERATING INCOME	16,232	184,917	5,000	206,149	104,792
OTHER INCOME:					
Investment Income (Net)	22,940	-	-	22,940	2,345
Other Income	88,069	-	-	88,069	9,228
TOTAL OTHER INCOME (EXPENSE)	111,009	-	-	111,009	11,573
CHANGE IN NET ASSETS	127,241	184,917	5,000	317,158	116,365
Net Assets - Beginning of Year	4,155,933	377,229	441,710	4,974,872	4,858,507
NET ASSETS - END OF YEAR	\$ 4,283,174	\$ 562,146	\$ 446,710	\$ 5,292,030	\$ 4,974,872

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2016 With Summarized Totals for the Year Ended June 30, 2015

	Program Services				Total Program Services	Management and General	Fundraising	2016 Total	2015 Total
	Social Services	Health Centers							
	Medical	Dental	Behavioral						
Salaries	\$ 398,574	\$ 4,125,201	\$ 1,299,480	\$ 326,710	\$ 6,149,965	\$ 1,236,398	\$ 308,129	\$ 7,694,492	\$ 5,391,401
Payroll Taxes and Benefits	94,228	741,522	231,785	60,108	1,127,643	200,455	50,597	1,378,695	1,040,963
TOTAL PERSONNEL COSTS	492,802	4,866,723	1,531,265	386,818	7,277,608	1,436,853	358,726	9,073,187	6,432,364
Ancillary Medical	-	416,109	224,349	-	640,458	-	-	640,458	340,536
Contributed Goods and Services	1,221,534	1,506,945	1,800	-	2,730,279	-	-	2,730,279	2,633,829
Depreciation Expense	33,470	246,913	113,426	14,349	408,158	25,378	1,374	434,910	284,919
EHR Maintenance and Hosting	-	118,662	-	-	118,662	-	-	118,662	142,513
Insurance	10,963	33,949	7,946	2,806	55,664	31,237	749	87,650	74,472
Occupancy	73,551	375,135	103,402	20,125	572,213	56,538	7,417	636,168	367,771
Other Expenses	12,594	106,454	4,937	1,244	125,229	61,219	61,251	247,699	109,782
Outside Services	13,916	139,921	40,683	4,507	199,027	310,216	52,670	561,913	707,267
Postage and Delivery	1,416	3,061	878	235	5,590	1,285	8,516	15,391	19,350
Printing and Duplication	5,412	24,390	4,713	1,491	36,006	4,077	51,428	91,511	81,059
Property and Equipment	15,712	47,950	103,881	2,496	170,039	28,664	6,723	205,426	70,385
Relief and Aid	520,637	-	-	-	520,637	-	-	520,637	452,684
Security Expense	10,176	94,261	24,539	7,368	136,344	3,754	4,269	144,367	79,347
Staff Development	3,513	57,692	9,912	4,841	75,958	31,389	433	107,780	60,919
Supplies and Office Expense	13,691	60,972	25,950	3,303	103,916	21,056	4,154	129,126	113,586
Travel	2,774	25,145	2,246	835	31,000	28,778	1,059	60,837	58,754
Utilities	16,316	77,883	22,767	5,519	122,485	11,971	2,182	136,638	130,103
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 2,448,477	\$ 8,202,165	\$ 2,222,694	\$ 455,937	\$ 13,329,273	\$ 2,052,415	\$ 560,951	\$ 15,942,639	
					84%	13%	3%	100%	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 2,769,796	\$ 6,207,570	\$ 1,467,067	\$ 235,447	\$ 10,679,880	\$ 1,061,780	\$ 417,980		\$ 12,159,640
					88%	9%	3%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 317,158	\$ 116,365
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	434,910	284,919
Realized and Unrealized (Gains) Losses on Investments	(1,410)	9,373
Gain on Disposal of Assets	(1,466)	-
Contributions Restricted for Permanent Endowment	(5,000)	(2,500)
(Increase) Decrease in:		
Fee-for-Service Contracts Receivable (Net)	224,080	(665,384)
Contributions and Grants Receivable	41,838	574,707
Other Receivables	171,283	9,433
Inventories	14,817	(20,144)
Prepaid Expenses and Other Current Assets	(12,267)	(15,997)
Deposits and Other Assets	34,136	(632,350)
Increase (Decrease) in:		
Accounts Payable	138,975	227,236
Accrued Expenses	547,986	(51,993)
Deferred Rent	158,430	81,784
Other Long-Term Liabilities	70,804	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,134,274	(84,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(1,524,902)	(1,034,903)
Proceeds from Sale of Property and Equipment	5,000	-
Purchase of Investments	(312,990)	-
Sale of Investments	282,902	-
NET CASH USED IN INVESTING ACTIVITIES	(1,549,990)	(1,034,903)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Permanent Endowment	5,000	2,500
Proceeds from Lines of Credit	76,495	1,400,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	81,495	1,402,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	665,779	283,046
Cash and Cash Equivalents - Beginning of Year	810,886	527,840
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,476,665	\$ 810,886
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 3,044	\$ 7,786

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - ORGANIZATION

Share Our Selves Corporation (SOS) was founded in 1970 and incorporated in the State of California as a community-based 501(c)(3) non-profit corporation. SOS is the largest Community Health Center in Orange County to combine wrap-around social services with health care. The focus is on providing safety net services to children, adults, and seniors. SOS provides comprehensive quality healthcare at several clinical sites located in Costa Mesa, Santa Ana, Lake Forest and Newport Beach. In June 2012, SOS received designation as a Federally Qualified Health Center (FQHC). FQHCs are community-based health centers that provide high quality, comprehensive medical, dental, and behavioral health services to the Orange County Community. SOS also secured designation as the Health Care for the Homeless (HCH) Program, section 330(h) of the Public Health Service Act. The purpose of the HCH is to improve the health status and outcome of care for homeless individuals and families by improving access to primary care and substance abuse services.

SOS' mission is to provide care and assistance to those in need and act as advocates for systemic change. Its values of dignity, justice, service and excellence are translated through every service offered at SOS.

For more than 46 years, SOS has worked to make Orange County a happier, healthier and safer place for vulnerable people and families who call it home. As a nationally recognized, award-winning health center, SOS provides personalized care and assistance to more than 135,000 individuals each year. SOS offers a wide range of health and social services, and seasonal programs that focus on the persons' mind, body and spirit to ensure at-risk families and homeless neighbors have the opportunity to live well through all of life's stages. SOS' growing network of care includes centers located in the communities of highest need, in order to provide the right treatment, at the right place, and the right time. As SOS continues to grow and expand its services to assure comprehensive care is accessible to all those most at risk, it depends on its community to support its mission.

SOS History of Care

- 1970 - SOS founded in Costa Mesa
- 1984 - SOS free Medical Clinic opens
- 1987 - SOS free Dental Clinic opens
- 1993 - SOS full-service Medication Dispensary opens
- 2005 - SOS integrated Behavioral Health services begin
- 2010 - SOS opens SOS-El Sol Wellness Center at El Sol Science and Arts Academy in Santa Ana
- 2012 - SOS opens SOS and PEACE Center Health Clinic in Lake Forest
- 2012 - SOS receives nationally recognized Federally Qualified Health Center (FQHC) designation
- 2014 - SOS Children & Family Health Center in Newport Beach opens
- 2015 - SOS achieves Patient Centered Medical Home Status (PCMH), Level III - recognition as a model of primary care that combines teamwork, information technology to improve care, improve patients' experience, and reduce cost
- 2016 - SOS opens SOS-Dr. Robert and Dorothy Beauchamp Children and Family Dental Center
- 2016 - SOS opens SOS Health Center at the Samueli Academy

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - ORGANIZATION (continued)

SOS Social Services - Safety Net of Care

SOS Comprehensive Social Services Center and Food Pantry are located on its flagship Costa Mesa location and offer anyone in need with immediate and direct access to critical safety net services including food, financial aid, benefits enrollment, utilities assistance, case management, patient and client navigation, referrals, education, free legal assistance and tax preparation, homeless services, and much more.

SOS Seasonal Programs

- SOS Adopt A Family Christmas Program - In 2015, the 46th Annual Adopt A Family event distributed thousands of Christmas toys, gifts and needed household items to 1,559 families (4,904 children), identified by the local school district and community partners, in greatest need.
- SOS Thanksgiving Food Distribution Program - With food drive assistance from local businesses, schools and individuals, SOS was able to offer 1,354 families in 2015 with the ingredients they needed to prepare this important holiday meal.
- SOS School Readiness Program - In partnership with OC Fair & Event Center's *We Care Wednesday Program*, in 2016 SOS packed and distributed over 4,380 new backpacks, filled with school supplies, to its most vulnerable student populations, helping them to be prepared and excited for the new school year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SOS are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Investment in Property and Equipment.** This represents the investment in property and equipment, net of accumulated depreciation, and net of the related debts secured by the property and equipment. SOS has unrestricted investment in property and equipment net assets of \$4,519,812 at June 30, 2016.
- **Unrestricted General.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Temporarily Restricted.** SOS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. SOS has temporarily restricted net assets of \$562,146 at June 30, 2016.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit SOS to expend all of the income (or other economic benefits) derived from the donated assets. SOS has permanently restricted net assets of \$446,710 at June 30, 2016.

(c) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at June 30, 2016.

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts if any, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2016, SOS evaluated the collectability of receivables and determined that no allowance for doubtful accounts was necessary.

(g) CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions, including grants recorded at estimated fair value, are recognized as revenues when the grant is received. SOS reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions and grants receivable at June 30, 2016 are due in their entirety within one year. SOS evaluated the collectability of contributions and grants receivable at June 30, 2016 and determined that no allowance for doubtful accounts was needed.

(h) INVENTORIES

Inventories of medical supplies, pharmaceuticals, and gift cards are stated at the lower of cost (first-in, first-out) or market. Contributed pharmaceuticals are valued at their estimated cost at the time of their contribution.

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings	30 Years
Building Improvements	15 Years
Leasehold Improvements	10 Years
Vehicles	10 Years
Medical and Dental Equipment	3-10 Years
Computer Equipment	5 Years
Computer Software	5-10 Years
Office Equipment	5 Years
Furniture and Fixtures	10 Years

Expenditures for repairs and maintenance are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LONG-LIVED ASSETS

SOS evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. During the year ended June 30, 2016, no impairment loss was recognized.

(k) INCOME TAXES

SOS is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

(l) DEFERRED RENT

SOS entered into a sublease in December 2013 which commenced in August 2014. This lease includes an allowance for tenant improvements. The deferred rent is amortized over the life of the lease, which is ten years, using the straight-line method.

In addition, SOS recognizes rent holidays and escalating rent provisions on a straight-line basis over the terms of the leases.

(m) NET FEE-FOR-SERVICE AND OTHER CONTRACT REVENUE AND SUPPORT

Net fee-for-service and other contract revenue and support are reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered. Net fee-for-service and other contract revenue and support revenue also includes estimated retroactive adjustments under reimbursement agreements with third party payors. SOS has agreements with third-party payors that provide for payments to SOS at amounts different from its established rates. Payment arrangements include prospectively determined rates per service, reimbursed costs, discounted charges, and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the services are rendered and adjusted in future periods, as final settlements are determined. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Estimated third-party payor settlement amounts included in the accompanying statement of financial position approximates fair value.

Payment agreements have been established with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Premiums are due monthly (calculated on a prospectively determined capitated rate) and are recognized as revenue during the period in which SOS is obligated to provide services to its members.

Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or a contract advance liability, whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. SOS recognized contributed goods and supplies valued at \$1,087,476 and contributed laboratory and other services valued at \$1,642,803, which are included in revenue and support for the year ended June 30, 2016.

A substantial number of volunteers have donated significant amounts of their time to SOS. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

(o) UNCOMPENSATED CARE

SOS defines “uncompensated care” as services rendered for which the patient shall not be held liable. SOS is committed to providing quality health care for certain members of its community, including the poor and underserved who cannot afford health insurance, copays and deductibles. During the year ended June 30, 2016, SOS provided uncompensated care of \$3,003,647 to its patients, which has been calculated as the difference between total health care costs less net third party reimbursements for services.

(p) ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medi-Cal programs to eligible health centers that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medi-Cal program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medi-Cal Services. Payment under both programs are contingent on the health center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

SOS recognizes incentive revenue over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

(q) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing SOS' programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) CONCENTRATION OF RISK

SOS maintains its cash and cash equivalents and investments in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. SOS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

(s) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SOS's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(t) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For SOS, the ASU will be effective for the year ending June 30, 2021.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For SOS, the ASU will be effective for the year ending June 30, 2019.

(u) SUBSEQUENT EVENTS

SOS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 4, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 - INVESTMENTS

At June 30, 2016, investments consist of the following:

Fixed Income Securities	\$	768,904
Equity Securities		170,235
<i>TOTAL INVESTMENTS</i>	\$	939,139

Net investment income for the year ended June 30, 2016 consists of the following:

Interest and Dividend Income	\$	21,530
Net Realized and Unrealized Gains		1,410
<i>INVESTMENT INCOME (NET)</i>	\$	22,940

NOTE 4 - FAIR VALUE MEASUREMENTS

SOS has implemented the accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about SOS' assets that are measured at fair value on a recurring basis at June 30, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities	\$ 768,904	\$ 768,904	\$ -	\$ -
Equity Securities	170,235	170,235	-	-
<i>TOTAL INVESTMENTS</i>	\$ 939,139	\$ 939,139	\$ -	\$ -

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

SOS recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. During the years ended June 30, 2016, there were no transfers between Level 1 and Level 2. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels for the years ended June 30, 2016.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015:

	Social Services	Health Centers	Total
Land	\$ 333,000	\$ 567,000	\$ 900,000
Buildings	309,647	527,237	836,884
Buildings and Improvements	615,427	1,047,888	1,663,315
Leasehold Improvements	-	1,727,478	1,727,478
Vehicles	49,198	-	49,198
Medical and Dental Equipment	-	757,664	757,664
Computer Equipment	5,821	286,557	292,378
Computer Software	57,897	236,996	294,893
Office Equipment	17,530	177,244	194,774
Furniture and Fixtures	20,225	204,502	224,727
TOTAL	1,408,745	5,532,566	6,941,311
Less: Accumulated Depreciation			(2,421,499)
TOTAL PROPERTY AND EQUIPMENT (NET)			\$ 4,519,812

Depreciation expense for the year ended June 30, 2016 was \$434,910.

NOTE 6 - LINES OF CREDIT

In April 2014, SOS entered into a line of credit agreement with a local healthcare system. The agreement provides for advances up to \$1,000,000 for the benefit of the clinics located in Santa Ana and Costa Mesa, California. The line of credit matures in April 2019. Interest accrues at a rate of 2.17% per annum. The line of credit is secured by certain assets of SOS. At June 30, 2016, \$621,599 was owed under this line of credit.

In October 2014, SOS entered into a line of credit agreement with a local hospital. The agreement provides for advances up to \$800,000 for the benefit of the clinics located in Santa Ana and Costa Mesa, California. The line of credit matures in December 2017. Interest accrues at a rate of 4.5% per annum. The line of credit is secured by certain assets of SOS. At June 30, 2016, \$854,896 was owed under this line of credit.

The lines of credit contain various covenants.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are as follows:

Community Health Center	\$	332,370
Social Services		160,900
Endowment*		<u>68,876</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>562,146</u>

Net asset balance indicated with an asterisk comprised the temporarily restricted endowment assets described in Note 8.

NOTE 8 - ENDOWMENTS

SOS' endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to SOS, or a term endowment, which is to provide income for a specific period to SOS.

The Board has interpreted California's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SOS classifies as permanently restricted net assets the amount originally distributed to the endowment of \$446,710. The donor-imposed restrictions on certain endowment funds allow for the use of corpus if needed; accordingly, these endowment funds are classified as temporarily restricted net assets. Those endowment funds and the related earnings remain classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SOS in a manner consistent with the standard of prudence prescribed by UPMIFA or policies established consistent with donor direction.

SOS has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. The investment policy establishes an achievable return objective through diversification of asset classes. The objective is to grow the aggregate portfolio value, net of spending, at the rate of inflation over the investment horizon. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, SOS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SOS targets a diversified asset allocation that places an emphasis on equity investments and fixed income securities to achieve its long-term rate of return objectives within prudent risk parameters.

The Board has adopted a spending policy that provides for the lesser of the income earned or 5% of the average corpus balance during that 12-month period. In any given year if total returns, including ordinary income and realized gains, are less than the target annual distribution, the distribution may be made from previously accumulated realized income and gains. Additionally, the Board may authorize distributions beyond this amount if deemed prudent and lawful.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - ENDOWMENTS (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may temporarily fall below the level that the donor or UPMIFA requires SOS to retain as a fund of perpetual duration.

**Endowment Net Asset
Composition by Type of Fund
at June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 68,876	\$ 446,710	\$ 515,586

**Changes in Endowment Net
Assets for the Year Ended
June 30, 2016**

Endowment Net Assets - Beginning of Year	\$ -	\$ 47,936	\$ 441,710	\$ 489,646
Contributions	-	-	5,000	5,000
Investment Gain	-	20,940	-	20,940
Board Releases per Spending Policy	-	-	-	-
ENDOWMENT NET ASSETS - END OF YEAR	\$ -	\$ 68,876	\$ 446,710	\$ 515,586

NOTE 9 - RETIREMENT PLANS

SOS has a 403(b) tax deferred annuity plan which covers substantially all employees of SOS. Total discretionary plan contributions made by SOS for the year ended June 30, 2016 were \$79,180.

In January 2016, SOS adopted a 457(b) nonqualified deferred compensation plan covering key executives. The deferred compensation plan permits deferral of a portion of these key employees' salaries until future years. All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts are subject to the claims of SOS' general creditors in the event of insolvency and otherwise are subject only to the rights of the key executives of SOS or their designated beneficiaries. At June 30, 2016, SOS has recorded a deferred compensation liability of \$19,512, which is included in other long-term liabilities. The related assets are included in total investments.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

SOS leases equipment and clinic facilities under non-cancelable lease agreements expiring at various dates through July 2025. Future minimum payments under the operating leases are as follows:

Years Ending June 30

2017	\$	445,516
2018		396,174
2019		386,275
2020		345,084
2021		251,724
Thereafter		<u>874,376</u>
TOTAL	\$	<u>2,699,149</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$517,634.

(b) GOVERNMENT GRANTS AND CONTRACTS

SOS has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. There can be no assurance that regulatory authorities will not challenge SOS' compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on SOS. As a result, there is a reasonable possibility that recorded amounts will change by a material amount in the near term. To foster compliance with applicable laws and regulations, SOS maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

(c) MEDICAL MALPRACTICE CLAIMS

Effective February 5, 2015, the U.S. Department of Health and Human Services has deemed SOS and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions.

SOS purchases primary and excess liability malpractice insurance under claims-made policies. Adjustments of estimated to actual expense, if any, after the policy terms, are included in the period such adjustments are determined.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon SOS' claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

(d) LITIGATION

In the ordinary course of doing business, SOS may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against SOS which, from time to time, may have an impact on changes in net assets. SOS does not believe that these proceedings, individually or in the aggregate, are material effect on the accompanying financial statements.

NOTE 11 - RELATED PARTY

On May 18, 2016, The Share Our Selves Foundation (the Foundation) was formed. The Foundation was inactive as of June 30, 2016.

SHARE OUR SELVES CORPORATION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

SHARE OUR SELVES CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

FEDERAL AWARDS	Contract	Federal	Program
Agency - Program Grant Title	Number	CFDA	Expenditures
		Number	from
			Governmental
			Revenue
			<u> </u>
MAJOR AWARDS			
U.S. Department of Health and Human Services			
Health Resources and Services Administration			
Health Center Cluster	H80CS24199	93.224	\$ 2,242,338
			<u> </u>
TOTAL MAJOR AWARDS			<u>2,242,338</u>
NON-MAJOR AWARDS			
U.S. Department of Health and Human Services			
Health Resources and Services Administration			
Children's Oral Healthcare Access Program	H47MC23169	93.110	23,888
U.S. Department of Homeland Security			
Passed through from the Orange County EFSP Board			
Emergency Food and Shelter Program Phase 32 Funds	078600-025	97.024	43,949
			<u> </u>
TOTAL NON-MAJOR AWARDS			<u>67,837</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,310,175</u>

Summary of Significant Accounting Policies:

1. Basis of Accounting - The Schedule of Expenditures of Federal Awards includes the federal grant activities of SOS and has been reported on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.
2. SOS has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. SOS is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See Independent Auditor's Report