

SHARE OUR SELVES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

**WITH INDEPENDENT AUDITORS'
REPORT THEREON**

SHARE OUR SELVES, INC.

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ORGANIZATIONAL DATA



SOS Mission Statement

“We are servants who provide care and assistance to those in need and act as advocates for systemic change.”

OUR MISSION & CORE VALUES

MISSION

We are servants who provide care and assistance to those in need and act as advocates for systemic change.

4 CORE VALUES

DIGNITY

We recognize our responsibility to insure the inherent dignity and worth of each person.

- We treat others as we would want to be treated.
- We value the contribution of all with whom we serve.
- We respect the right of each person to define their needs and to actively participate in their care.
- We encourage open and honest conversation.

SERVICE

We serve our community in a way that is compassionate and non-judgmental.

- We listen and respond to the needs of the whole person, body, mind and spirit.
- We humbly serve those in need through a generous and responsible use of resources.
- We adapt and balance programs and resources to meet the social and healthcare needs of the most vulnerable members of our community.

EXCELLENCE

We strive to provide high and consistent quality in all our services.

- We work to continually improve and measure the quality of our services.
- We foster the continuous growth and development of all who serve at SOS.
- We hold ourselves accountable for the quality of service and adherence to professional standards.
- We work to make the most of the resources given to us.

JUSTICE

We advocate for change in those structures and systems that unjustly affect the vulnerable and disadvantaged.

- We give a voice to the needs of the poor.
- We actively support and encourage those who champion and strive for social justice.
- We seek to preserve mercy as the foundation of justice in our community.

OUR PHILOSOPHY

Share Our Selves believes in personalized medicine as a means to deliver quality care, improve population health, and reduce costs. Valuing the concept of the right person, the right treatment, at the right time means we see care as predictive, preventive, personalized, and participatory.

SOS is a Patient Centered Medical Home and an innovative leader in the healthcare field, embracing a comprehensive view of health as demonstrated by:

- Early adopter of Health Information Technology (HIT)
- Adopted Integrated Practice Management (Electronic Medical and Dental Records) prior to any other health center in OC
- First health center Telemedicine Pilot site in OC
- Advisor and first health center to participate in hospital Health Information Exchange Program
- Beta site for e-Consult and e-Referral programs (specialty care access)
- ER Connect, a web-based IT system, connecting SOS with the OC Emergency Room (ER) centers
- Offering Clinical Pharmaceutical Services, Medication Therapy Management, and Medication Reconciliation
- Group Visits for insulin users
- Integrated Behavioral Health, pilot site
- Accountable Care Organization (ACO) like relationship with Hoag Hospital, first in OC
- One of the first OC clinics to move to providing a Patient Centered Medical Home (PCMH)
- Utilization of LEAN tools to improve quality, efficiency and reduce costs.

We demonstrate a new network of care in a seamless system by co-branding projects with nontraditional partners to increase efficiencies, reduce costs, and offer the highest quality, most innovative and accessible care possible. Partners include:

- Hoag Hospital
- El Sol Science & Arts Academy
- University, California Irvine
- Healthy Smiles for Kids Orange County
- Saddleback Church



2013 SHARE OUR SELVES CASE STATEMENT

Our Mission: We are servants who provide care and assistance to those in need and act as advocates for systemic change. Share Our Selves, Inc. offers those in need access to comprehensive safety net care services through our Social Service Center and Health Care Centers. We provide comprehensive health care and access to on-site safety net services including food, case management, financial resources, service referrals and enrollment in public benefits. SOS provides these services to 100,000 clients annually valuing the dignity of each person we care for.

Our History: Founded in 1970, Share Our Selves (SOS) has become a critical resource and nonprofit model for providing the highest quality safety net services to the homeless, low-income and disenfranchised populations of Orange County. Today SOS offers comprehensive medical services meeting the low-income population needs in Costa Mesa, Lake Forest and Santa Ana. SOS has evolved to become a leader in community health and our recent designation as a nationally recognized Federally Qualified Health Center (FQHC) marks our tireless commitment to address the conditions of poverty.

Need in Orange County: A slow recovery from the longest economic recession in history has placed remarkable burdens on the nonprofit sector. Annual reductions in state and local social services budgets, coupled with an increased demand for services, leaves nonprofits struggling to meet client needs. According to the recent Census, more than 300,000 individuals in Orange County are living in extreme "poverty"; meeting the outdated federal poverty line calculation (i.e. 2011 FPL was considered an annual income of \$23,108 for a family of four) and twice as many are struggling to make ends meet due to long-term unemployment and underemployment in low-wage service sectors in a county with one of the highest costs of living in the nation. Local reports indicate that more than 28,000 Orange County students are classified as homeless or living doubled or tripled up in cramped housing; close to 50% of enrolled K-12 students rely on school meals to meet their hunger needs and one in three Orange County households is food insecure, and one in four Orange County do not have access to adequate health care (*OC Community Indicators Report 2013*)

Orange County is home to thousands of individuals suffering from chronic physical or mental health disabilities without adequate state or county resources to meet their long-term needs. And lack of accessible substance abuse treatment facilities force many onto the streets increasing community and individual health risks. With illusion of wealth and opulence, Orange County does not offer its residents a county operated hospital, or a year-round emergency shelter facility. As a result, SOS' services are sought out by an average of 400 people in need each and every day, including our homeless population that depends on SOS resources to meet their hunger and health needs.

Our Services: In June, 2012, SOS was awarded its status as a Federally Qualified Health Center (FQHC), completing a two year strategic plan to increase clinic operations and sustainability. SOS has expanded health services to meet the comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services, to persons of all ages, regardless of their ability to pay or health insurance status. The FQHC designation is extremely challenging to obtain and is a symbol of the dedication of SOS leadership, volunteers and staff to provide the highest quality services to our

community. The passage of the Affordable Care Act will increase the demand for primary care and we look forward to becoming a medical home of choice for many in our community.

In addition to our direct health services, SOS has been a leading provider of social services for more than four decades. Safety net services provided on-site include food, case management services, services referrals, on-site legal aid and enrollment in available public benefits, free tax preparation, budgeting classes, utility and rental assistance, transportation assistance, school supplies, holiday meals and our Adopt A Family Christmas program.

Our Partners: SOS community partners include an extensive network of nonprofit, civic, business and philanthropic leaders who support our mission and offer our clients with expanded access to safety net care. Our partnership with Hoag Memorial Hospital Presbyterian, which began in 1995, is a wonderful example of two complimentary organizations (SOS and Hoag) working together to improve the health outcomes of Orange County. Founded on the principals of volunteer SOS continues to engage hundreds of dedicated and trained volunteers who in turn keep SOS' overhead costs low.

Locations: SOS offers medical services at each of the following three locations. SOS Social Services are provided at our Costa Mesa location:

SOS Community Health Center

1505 Superior Ave.
Costa Mesa, Ca 92627
949.270.2100

SOS El Sol Wellness Center

El Sol Science and Arts Academy
331 W. Halesworth
Santa Ana, CA 92701
949.270.2160

SOS and PEACE Center Health Clinic

Saddleback Church
1 Purpose Drive
Lake Forest, CA 92630
949.609.8199

For More Information:

Please visit our website for additional information about our services (clinic hours, etc.) and for ways in which you can support SOS' mission (become a donor, volunteer, etc) at: **www.shareourselves.org**

Key SOS Contacts:

Karen L. McGlenn
Founding Board Member and Executive Director
949.270.2101

Sergey Sergeyev
Chief Financial Officer
949.270.2135

Karen Francis
Director of Development
949.270.2145

SOS Operational Budget

The following financial statements of SOS provide a partial picture of the services provided to SOS clients. However, to truly understand the nature and scope of SOS's service to the community, it is important to understand the Operating Budget as well. The pie chart below is included to provide a graphic description of that budget, demonstrating that SOS manages a much larger budget than the picture presented in the financial statements. Staff time and expertise are needed to manage these important services.

Revenue and other support is the information presented in the following financial statements.

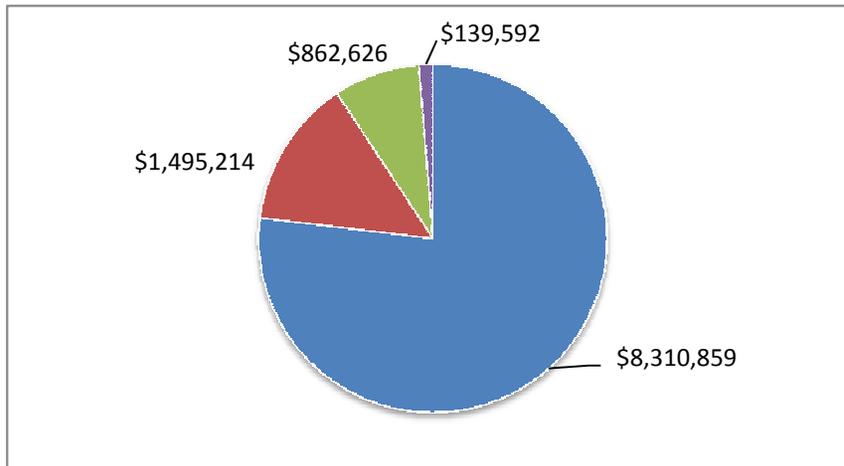
Hoag Ancillary/In-kind Services represent the value of services Hoag Memorial Hospital Presbyterian provides to the patients of the SOS Medical Clinic and includes advanced diagnostics, surgery, and medication.

SOS Cares Pharmacy is the value of medications donated through pharmaceutical companies' Patient Assistance Programs and additional in-kind medications.

Volunteer Providers refers to the value of services by licensed healthcare professionals donating their services to SOS patients.

Statement of Activities For the Year Ended June 30, 2013

Total Revenue Including Services Not Reflected in the Financial Statements



Source	Amount
Revenue and other support	\$ 8,310,859
Hoag Ancillary/In-kind Services	\$ 1,495,214
SOS Cares Pharmacy	\$ 862,626
Volunteer Providers	\$ 139,592
Total Services	\$ 10,808,291

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Share Our Selves, Inc.
Costa Mesa, California

Report on the Financial Statements

We have audited the accompanying financial statements of Share Our Selves, Inc. (“SOS”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 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.

Auditors’ 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 auditors’ 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 auditors consider 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.

The Board of Directors
Share Our Selves, Inc.

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 Share Our Selves, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Share Our Selves, Inc.'s 2012 financial statements, and our report dated September 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, 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 Share Our Selves' internal control over financial reporting and compliance.

Link, Murrel & Company, LLP

A handwritten signature in cursive script that reads "Link, Murrel & Co., LLP".

Irvine, California
November 5, 2013

FINANCIAL STATEMENTS

SHARE OUR SELVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(WITH SUMMARIZED TOTALS AT JUNE 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2013</u>	<u>Totals 2012</u>
Current Assets:					
Cash and cash equivalents	\$ 720,935	\$ 105,216	\$ 2,814	\$ 828,965	\$ 426,027
Receivables	550,808	-	-	550,808	307,202
Investments, current portion	45,007	37,396	7,848	90,251	82,066
Inventory	39,651	-	-	39,651	32,135
Prepaid expenses	<u>42,310</u>	<u>-</u>	<u>-</u>	<u>42,310</u>	<u>45,472</u>
Total current assets	1,398,711	142,612	10,662	1,551,985	892,902
Property and Equipment:					
Building and improvements	2,447,660	-	-	2,447,660	2,447,660
Land	900,000	-	-	900,000	900,000
Equipment	607,116	-	-	607,116	608,973
Automobiles	<u>47,092</u>	<u>-</u>	<u>-</u>	<u>47,092</u>	<u>47,092</u>
	4,001,868	-	-	4,001,868	4,003,725
Less accumulated depreciation	<u>(1,509,267)</u>	<u>-</u>	<u>-</u>	<u>(1,509,267)</u>	<u>(1,343,463)</u>
Property and equipment, net	2,492,601	-	-	2,492,601	2,660,262
Other Assets:					
Investments, long-term portion	407,657	-	411,048	818,705	785,163
Deposits	30,761	-	-	30,761	5,628
Unamortized software development cost	<u>40,400</u>	<u>-</u>	<u>-</u>	<u>40,400</u>	<u>24,900</u>
Total other assets	<u>478,818</u>	<u>-</u>	<u>411,048</u>	<u>889,866</u>	<u>815,691</u>
Total Assets	<u>\$ 4,370,130</u>	<u>\$ 142,612</u>	<u>\$ 421,710</u>	<u>\$ 4,934,452</u>	<u>\$ 4,368,855</u>

See accompanying notes.

SHARE OUR SELVES, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2013
(WITH SUMMARIZED TOTALS AT JUNE 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2013</u>	<u>Totals 2012</u>
Current Liabilities:					
Accounts payable	\$ 248,901	\$ -	\$ -	\$ 248,901	\$ 189,385
Accrued expenses:					
Accrued vacation	163,959	-	-	163,959	110,751
Accrued salaries	156,932	-	-	156,932	99,857
Other	123,678	-	-	123,678	25,576
Deferred revenue	5,000	-	-	5,000	36,500
Due to OCCAA	<u>3,695</u>	<u>-</u>	<u>-</u>	<u>3,695</u>	<u>4,901</u>
 Total current liabilities	 702,165	 -	 -	 702,165	 466,970
Net Assets:					
Unrestricted:					
Undesignated	175,364	-	-	175,364	(178,210)
Designated for cash reserve	1,000,000	-	-	1,000,000	1,000,000
Net investment in property and equipment	2,492,601	-	-	2,492,601	2,660,262
Temporarily restricted	-	142,612	-	142,612	33,823
Permanently restricted	<u>-</u>	<u>-</u>	<u>421,710</u>	<u>421,710</u>	<u>386,010</u>
 Total net assets	 <u>3,667,965</u>	 <u>142,612</u>	 <u>421,710</u>	 <u>4,232,287</u>	 <u>3,901,885</u>
 Total Liabilities and Net Assets	 <u>\$ 4,370,130</u>	 <u>\$ 142,612</u>	 <u>\$ 421,710</u>	 <u>\$ 4,934,452</u>	 <u>\$ 4,368,855</u>

See accompanying notes.

SHARE OUR SELVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2013</u>	<u>Totals 2012</u>
Revenues and Other Support:					
Contributions	\$ 2,839,054	\$ 300,182	\$ 35,700	\$ 3,174,936	\$ 2,351,398
Grants - other	1,721,285	100,000	-	1,821,285	969,275
Grants - Federal	843,548	-	-	843,548	191,348
In-kind - other	778,888	-	-	778,888	646,279
In-kind - building remodel	-	-	-	-	708,607
Fundraising, net of direct benefit to donors of \$37,604	264,616	-	-	264,616	227,132
Fees for service	1,286,652	-	-	1,286,652	339,551
Incentive payments to implement EHR	127,500	-	-	127,500	-
Investment income	9,601	8,953	-	18,554	14,497
Net unrealized investment losses	(7,383)	(5,380)	-	(12,763)	(53,418)
Other income, net	<u>7,643</u>	<u>-</u>	<u>-</u>	<u>7,643</u>	<u>255</u>
Total revenues and other support	7,871,404	403,755	35,700	8,310,859	5,394,924
Net Assets Released From Restrictions:					
Restrictions satisfied by payments	274,966	(274,966)	-	-	-
Expiration of time restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	8,166,370	108,789	35,700	8,310,859	5,394,924
Expenses:					
Program services:					
Social services	1,289,561	-	-	1,289,561	1,196,921
Health Center	5,332,505	-	-	5,332,505	3,923,232
Supporting services:					
Management and general	1,083,679	-	-	1,083,679	845,946
Fundraising	<u>274,712</u>	<u>-</u>	<u>-</u>	<u>274,712</u>	<u>90,027</u>
Total expenses	<u>7,980,457</u>	<u>-</u>	<u>-</u>	<u>7,980,457</u>	<u>6,056,126</u>
Increase (Decrease) in Net Assets	185,913	108,789	35,700	330,402	(661,202)
Net Assets, Beginning of Year	<u>3,482,052</u>	<u>33,823</u>	<u>386,010</u>	<u>3,901,885</u>	<u>4,563,087</u>
Net Assets, End of Year	<u>\$ 3,667,965</u>	<u>\$ 142,612</u>	<u>\$ 421,710</u>	<u>\$ 4,232,287</u>	<u>\$ 3,901,885</u>

See accompanying notes.

SHARE OUR SELVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Program Services			Supporting Services			Totals 2013	Totals 2012
	Social Services	Health Center	Total	Management and General		Fundraising		
				Social Services	Health Center			
Salaries	\$ 349,485	\$ 2,367,891	\$ 2,717,376	\$ 54,418	\$ 364,179	\$ 169,632	\$ 3,305,605	\$ 2,537,612
Payroll taxes and benefits	66,154	453,824	519,978	10,962	73,342	33,622	637,904	535,263
Total personnel	415,639	2,821,715	3,237,354	65,380	437,521	203,254	3,943,509	3,072,875
Bank and investment fees	14,233	9,526	23,759	-	-	-	23,759	21,740
Contract professionals	26,706	1,111,160	1,137,866	113,677	325,253	7,653	1,584,449	647,473
Dues, fees and education	2,032	66,642	68,674	-	-	1,434	70,108	25,690
Emergency aid	491,380	-	491,380	-	-	-	491,380	464,432
Events	-	-	-	-	-	28,047	28,047	32,814
Hosting fees	-	78,211	78,211	-	-	-	78,211	51,734
In-kind	91,886	658,597	750,483	14,891	13,515	-	778,889	646,279
Insurance	9,727	34,958	44,685	-	-	-	44,685	45,670
Lab fees	-	65,217	65,217	-	-	-	65,217	74,657
Office supplies	24,697	63,674	88,371	5,130	35,661	33,439	162,601	111,558
Other	17,313	45,609	62,922	116	779	885	64,702	35,100
Pharmaceutical and supplies	-	112,639	112,639	-	-	-	112,639	183,055
Professional services	-	-	-	12,944	43,658	-	56,602	39,428
Rent	28,573	23,915	52,488	3,896	3,896	-	60,280	58,086
Repairs and maintenance	38,734	70,534	109,268	-	-	-	109,268	269,005
Utilities	25,453	65,327	90,780	2,027	5,335	-	98,142	98,452
Expenses before depreciation	1,186,373	5,227,724	6,414,097	218,061	865,618	274,712	7,772,488	5,878,048
Depreciation	103,188	104,781	207,969	-	-	-	207,969	178,078
Total Expenses	<u>\$ 1,289,561</u>	<u>\$ 5,332,505</u>	<u>\$ 6,622,066</u>	<u>\$ 218,061</u>	<u>\$ 865,618</u>	<u>\$ 274,712</u>	<u>\$ 7,980,457</u>	<u>\$ 6,056,126</u>

See accompanying notes.

SHARE OUR SELVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 330,402	\$ (661,202)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	207,969	178,078
Loss on disposal of equipment	5,906	4,159
Contributions restricted for permanent endowment	(35,700)	(13,700)
Net unrealized investment losses	12,763	53,418
Net change in-kind donations of inventory	1,220	(7,865)
Building remodel in-kind donations	-	(708,607)
Changes in assets and liabilities:		
(Increases) decreases in:		
Receivables	(243,606)	131,419
Inventory	(8,736)	53,064
Prepaid expenses	3,162	42,845
Deposits	(25,133)	17,708
Unamortized software development cost	(15,500)	-
Increases (decreases) in:		
Accounts payable	59,516	(45,046)
Accrued expenses	208,385	12,750
Deferred revenue	(31,500)	36,500
Due to OCCAA	(1,206)	249
Total adjustments	137,540	(245,028)
Net cash provided by (used in) operating activities	467,942	(906,230)
Cash Flows from Investing Activities:		
Purchases of equipment	(46,214)	(277,963)
Purchases of investments	(106,882)	(483,646)
Proceeds from sale of investments	52,392	389,455
Net cash used in investing activities	(100,704)	(372,154)
Cash Flows from Financing Activities:		
Investment in permanent endowment	35,700	13,700
Net cash provided by investing activities	35,700	13,700
Net Increase (Decrease) in Cash and Cash Equivalents	402,938	(1,264,684)
Cash and Cash Equivalents, Beginning of Year	426,027	1,690,711
Cash and Cash Equivalents, End of Year	\$ 828,965	\$ 426,027
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See accompanying notes.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. ORGANIZATION AND NATURE OF SERVICES

Share Our Selves, Inc. ("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 the 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 three clinical sites located in Costa Mesa, Santa Ana, and Lake Forest. In June 2012, SOS received designation as a Federally Qualified Health Center (FQHC). FQHCs are community-based organizations that provide comprehensive primary care and preventive care, including health, oral, and mental health/substance abuse services to persons of all ages, regardless of their ability to pay or health insurance status.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SOS prepares its financial statements using the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

SOS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SOS considers all money market funds, mutual funds and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The carrying value of cash and cash equivalents, receivables, prepaid expenses, accounts payable, due to OCCAA, deferred revenue and accrued expenses approximate their respective fair values due to their short term maturities.

SOS reports investments in equity securities with readily determinable fair values and all investments in debt securities at quoted market values. The gains and losses are included in the Statement of Activities.

Inventory

Inventory, consisting of pharmaceutical supplies and gift cards, is stated at the lower of cost or market or, if donated, at the approximate fair value on the date of donation. Cost is determined by the first-in, first-out method.

Property and Equipment

Assets are carried at cost, if purchased, or fair market value at date of contribution, if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. SOS follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of thirty to forty years for buildings and improvements, and five to ten years for equipment and automobiles.

Long lived assets, such as property and equipment are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the year ended June 30, 2013.

Deferred Revenue

Deferred revenue is sponsorships collected in advance for the Celebrity Chef fundraising event to be held in November 2013.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation

SOS has a policy permitting employees to accumulate unused vacation benefits. Upon termination or retirement, unused vacation benefits will be paid at the employee's regular payroll rate. A liability is reflected in the accompanying financial statements for unpaid vacation incurred through the statement of financial position date.

Promises to Give

Although SOS receives donations on a regular and recurring basis from some of its donors, there are no written promises to give agreements. SOS records these monthly contributions as revenue as they are received. Amounts recorded in receivables are for grants and are all receivable within one year. At June 30, 2013, SOS considered all remaining grants receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Contributions and Fees For Service

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fees for service are for amounts received when patients are provided medical services. Revenues are recorded when the allowable costs have been incurred or the services have been performed.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value at the date of donation.

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. Donated laboratory services are provided by Hoag Memorial Hospital Presbyterian at no cost to the patients served. The basis for estimating the value of these services is based on estimates provided by the contributor for the same services provided in the normal course of business or at estimated costs in instances where contributor estimates are not available.

A substantial number of unpaid volunteers have made significant contributions to SOS's program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.

Income Taxes

SOS is a California nonprofit corporation which has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and the California Revenue and Tax Code Section 23701(d). Accordingly, no provision of income taxes has been made in the accompanying financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the SOS may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2013.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The SOS's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2010 to June 30, 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The filings with the state of California are subject to examination for the years ended June 30, 2009 to June 30, 2012.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities.

SOS records some rent, utilities, professional fees, contract professionals, dues, fees, and education, fundraising expenses, supplies and some salaries as supporting services. The Executive Director also functions as the Social Services Director. The Social Services Director's salary is allocated between program services and supporting services.

SOS provides the following programs:

Social Services

SOS Comprehensive Services provides food, emergency financial assistance, case management, legal aid, education and training for low-income and homeless Orange County residents.

Community Health Center

SOS is a nationally recognized health center providing high quality, comprehensive medical, dental, and behavioral health services to the Orange County Community. SOS is a patient-centered medical home and values the concept of the right person, the right treatment, at the right time.

Advertising

SOS follows the policy of charging the costs of advertising to expenses as incurred. There is no advertising expense for the year ended June 30, 2013.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

SOS occasionally maintains cash deposits in excess of federally insured limits. These items are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Recently Adopted Accounting Standard

In May 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update that clarifies and amends the existing fair value measurement and disclosure requirements. This guidance became effective prospectively for interim and annual periods beginning after December 15, 2011. SOS adopted the provisions of the guidance in 2012. The adoption did not have a material impact on the SOS's financial statements.

New Accounting Standards Not Yet Adopted

In October 2012, the FASB issued an accounting standards update that amends the standards for preparing the statement of cash flows. This guidance requires the SOS to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any organization-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes. If the donor restricted the use to long-term purposes, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the organization. This guidance will be effective prospectively for fiscal years and interim periods within those years, beginning after June 15, 2013, which will be the organization's fiscal year 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted but not required. Earlier adoption from the beginning of the fiscal year of adoption is permitted. SOS does not expect the adoption of the guidance will have a material impact on the organization's financial statements.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Not Yet Adopted (Continued)

In April 2013, the FASB issued an accounting standards update that requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this update are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter.

A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. SOS does not expect the adoption of the guidance will have a material impact on the SOS's financial statements.

Subsequent Events

SOS has evaluated subsequent events through November 5, 2013, the date the financial statements were available to be issued.

3. INVENTORY, INVESTMENTS AND FAIR VALUE MEASUREMENTS

SOS's investments and donated inventory items are reported at fair value in the accompanying Statement of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SOS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 is defined as observable inputs such as quoted prices in active markets;

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. INVENTORY, INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2 is defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3 is defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

SOS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments and donated inventory. When available, SOS measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

The following table sets forth, by level within the fair value hierarchy, SOS's investments and donated inventory at fair value on a recurring basis at June 30, 2013, as described above:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments in Mutual Funds				
Government bonds	\$ 420,265	\$ 420,632	\$ 420,632	\$ -
Corporate bonds	389,075	396,629	396,629	-
International bonds	44,178	45,007	45,007	-
High-yield bonds	18,600	18,105	18,105	-
Long-term bonds	11,625	11,276	11,276	-
Intermediate-term bonds	11,625	11,267	11,267	-
Bank loan fund	4,650	4,596	4,596	-
Small-cap equity	<u>996</u>	<u>1,444</u>	<u>1,444</u>	<u>-</u>
Total Investments	901,014	908,956	908,956	
Inventory-donated	<u>-</u>	<u>13,048</u>	<u>-</u>	<u>13,048</u>
Total at fair value	<u>\$ 901,014</u>	<u>\$ 922,004</u>	<u>\$ 908,956</u>	<u>\$ 13,048</u>

SOS recognizes transfers into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2013.

Net investment income (investment income net of unrealized losses) for the year ended June 30, 2013 is approximately \$6,000. Investment fees are reported as an expense.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. DUE TO ORANGE COUNTY CERTIFIED APPLICATION ASSISTANCE TASK FORCE

SOS acts in an agency capacity for the Orange County Certified Application Task Force (OCCAA), whereby all financial transactions relating to OCCAA are handled by SOS's accounting personnel and flow through SOS's bank account. At June 30, 2013, approximately \$4,000 is due to OCCAA.

5. ENDOWMENT FUND

SOS's endowment consists of cash and mutual funds established from donor restricted funds. The permanently restricted cash is due to a donation for investments that has not yet been invested. As required by U.S. Generally Accepted Accounting Principles (U.S. GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SOS has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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.

In accordance with UPMIFA, SOS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SOS and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SOS
- (7) The investment policies of SOS

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. ENDOWMENT FUND (Continued)

The following table presents changes for the year ended June 30, 2013:

	Endowment Fund		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at July 1, 2012	\$ 33,823	\$ 386,010	\$ 419,833
Contribution	-	35,700	35,700
Investment return:			
Investment income	8,953	-	8,953
Net depreciation	<u>(5,380)</u>	<u>-</u>	<u>(5,380)</u>
Endowment net assets at June 30, 2013	<u>\$ 37,396</u>	<u>\$421,710</u>	<u>\$459,106</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SOS to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted or temporarily restricted net assets.

SOS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of revenue while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy the endowment assets have return objectives that are weighted against income needs and risk tolerances. SOS evaluates the portfolio's performance using the S&P 500 index as a benchmark. Actual returns in any given year may vary from these comparisons.

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 contains equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. ENDOWMENT FUND (Continued)

SOS's policy allows it to appropriate for distribution each year the lesser of the income earned or 5% of the corpus. SOS has not appropriated funds for distribution in certain years. In establishing this policy, SOS considered the long-term expected return on its endowment funds. Accordingly, over the long-term, SOS expects the current spending policy to allow its endowment fund to grow. This policy is consistent with SOS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a donor-specified term as well as to provide additional real growth through new gifts and investment return.

6. NET ASSETS

Unrestricted net assets include board designations of \$1,000,000 for SOS's cash reserve. Temporarily restricted net assets consist of contributions restricted for a specific purpose. The donor imposed restrictions for the contributions are expected to be satisfied in 2013 or future periods.

Temporarily restricted net assets consist of the following:

Community Health Center	\$105,216
Endowment	<u>37,396</u>
	<u>\$142,612</u>

7. REVENUES AND OTHER SUPPORT

SOS is primarily funded through private and government grants, contributions from individuals and organizations, and in-kind contributions. SOS's largest donor is Hoag Memorial Hospital Presbyterian, representing approximately 32% of total revenues and other support. Hoag Memorial Hospital Presbyterian's support also includes in-kind contributions for salaries, medical supplies, pharmaceuticals and laboratory services.

8. CONTRIBUTED SERVICES AND SUPPLIES

SOS receives free pharmaceuticals, approximately \$863,000 for the year ended June 30, 2013, from various drug companies for specific patients. There was approximately \$384,000 of inventory from these companies on hand at June 30, 2013. The value of this inventory is not included in the financial statements, as they do not meet the criteria of revenue recognition, as SOS is merely a pass-through entity.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. CONTRIBUTED SERVICES AND SUPPLIES (Continued)

SOS provides gifts and food to over 1,550 Orange County families in need through a program entitled Adopt-A-Family. The families include more than 4,950 children. The program, which has been operating every year since 1970, works with area schools to identify the families, then matches donors to families. The value of donations contributed directly to these families are not included in the financial statements, as they do not meet the criteria of revenue recognition, as SOS is a pass-through entity. Cash donations of approximately \$81,300 to buy gifts for the families are recorded in the financial statements.

SOS also receives donations of food and other items that are essential to the success of SOS's Social Services program service. These items are received and distributed daily and are not included in the financial statements recognition.

Contributions include in-kind donations in the following categories for the year ended June 30, 2013.

Laboratory services	\$ 527,580
Health center providers	70,873
Pharmaceuticals	18,516
Supplies and equipment	50,334
Professional services	28,405
Adopt-A-Family	21,950
Back-To-School	<u>61,230</u>
	<u>\$ 778,888</u>

9. LEASE COMMITMENTS

On September 15, 2005, SOS signed a lease for office space. The commencement date of this lease was May 1, 2006. Base monthly rent was \$5,000 with a 3% step increase each year on May 1. The lease was for five years and was extended in December 2010 through October 2013 with a beginning base rent of \$4,500 with incremental increases each year. On August 1, 2013 the lease was extended for an additional 36 months commencing on November 1, 2013 and expiring October 31, 2016.

SOS leases equipment under noncancelable operating leases. In December 2009, SOS signed a lease for a copier. The lease is for five years with a base monthly rent of \$1,010. The lease will be effective until December 2014.

SHARE OUR SELVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. LEASE COMMITMENTS (Continued)

Future minimum annual lease payments under these non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2014	\$ 18,810	\$ 12,120	\$ 30,930
2015	-	<u>6,060</u>	<u>6,060</u>
	<u>\$ 18,810</u>	<u>\$ 18,180</u>	<u>\$ 36,990</u>

Office and equipment rent expense for the year ended June 30, 2013 is approximately \$60,000.

10. RETIREMENT PLAN

In June 2003, SOS adopted a Section 403(b) tax deferred annuity plan for substantially all employees. Discretionary employer matching contributions for the year ended June 30, 2013 is approximately \$20,000.

11. RECLASSIFICATIONS

Certain figures for the year ended June 30, 2012 have been reclassified to conform to the year ended June 30, 2013 presentation. In-kind contributions and expenses for laboratory services have not been recorded for the year ended June 30, 2012.