

SHARE OUR SELVES CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

SHARE OUR SELVES CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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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), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, 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 SOS' 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 SOS' 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited SOS' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Share Our Selves Corporation

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 January 15, 2019 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

January 15, 2019
Los Angeles, California

SHARE OUR SELVES CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Summarized Totals at June 30, 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 742,567	\$ 1,767,463
Investments	999,351	1,061,232
Fee-for-Service Contracts Receivable (Net)	1,578,819	791,312
Contributions and Grants Receivable	77,099	153,422
Other Receivables	-	110,459
Inventories	26,611	32,041
Prepaid Expenses and Other Current Assets	<u>211,674</u>	<u>94,890</u>
<i>TOTAL CURRENT ASSETS</i>	3,636,121	4,010,819
OTHER ASSETS:		
Fee-for-Service Contracts Receivable - Long-Term (Net)	1,724,634	839,435
Property and Equipment (Net)	4,298,151	4,506,366
Deposits and Other Assets	495,179	553,679
Goodwill	<u>105,000</u>	<u>-</u>
<i>TOTAL OTHER ASSETS</i>	<u>6,622,964</u>	<u>5,899,480</u>
<i>TOTAL ASSETS</i>	<u>\$ 10,259,085</u>	<u>\$ 9,910,299</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Lines of Credit	\$ 1,059,387	\$ 890,896
Accounts Payable	763,104	580,805
Accrued Expenses	<u>1,870,162</u>	<u>1,699,354</u>
<i>TOTAL CURRENT LIABILITIES</i>	3,692,653	3,171,055
OTHER LIABILITIES:		
Lines of Credit	926,896	1,037,687
Deferred Rent	442,146	463,836
Other Long-Term Liabilities	<u>-</u>	<u>74,621</u>
<i>TOTAL OTHER LIABILITIES</i>	<u>1,369,042</u>	<u>1,576,144</u>
<i>TOTAL LIABILITIES</i>	5,061,695	4,747,199
NET ASSETS:		
Unrestricted	4,416,450	4,362,211
Temporarily Restricted	329,230	349,179
Permanently Restricted	<u>451,710</u>	<u>451,710</u>
<i>TOTAL NET ASSETS</i>	<u>5,197,390</u>	<u>5,163,100</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<u>\$ 10,259,085</u>	<u>\$ 9,910,299</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND SUPPORT:					
Fee-for-Service (Net)	\$ 12,163,273	\$ -	\$ -	\$ 12,163,273	\$ 8,102,788
Capitation Premiums	688,233	-	-	688,233	557,089
Government Grants	2,602,859	-	-	2,602,859	2,568,293
Other Grants	27,762	317,697	-	345,459	3,496,069
Contributions	1,050,537	-	-	1,050,537	1,089,977
Special Events (Net of Direct Donor Benefits of \$70,313)	254,749	-	-	254,749	270,693
Program Revenue (Net of Direct Program Costs of \$93,519)	44,153	-	-	44,153	149,307
Contributed Goods and Services	2,180,079	-	-	2,180,079	2,544,131
Net Assets Released from Restrictions	346,808	(346,808)	-	-	-
TOTAL REVENUE AND SUPPORT	19,358,453	(29,111)	-	19,329,342	18,778,347
EXPENSES:					
Program Services	16,527,461	-	-	16,527,461	16,139,978
Management and General	2,460,690	-	-	2,460,690	2,428,334
Fundraising	501,494	-	-	501,494	512,976
TOTAL EXPENSES	19,489,645	-	-	19,489,645	19,081,288
OPERATING LOSS	(131,192)	(29,111)	-	(160,303)	(302,941)
OTHER INCOME:					
Investment Income (Net)	10,576	9,162	-	19,738	37,074
Other Income	174,855	-	-	174,855	136,937
TOTAL OTHER INCOME	185,431	9,162	-	194,593	174,011
CHANGE IN NET ASSETS	54,239	(19,949)	-	34,290	(128,930)
Net Assets - Beginning of Year	4,362,211	349,179	451,710	5,163,100	5,292,030
NET ASSETS - END OF YEAR	\$ 4,416,450	\$ 329,230	\$ 451,710	\$ 5,197,390	\$ 5,163,100

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2018 With Summarized Totals for the Year Ended June 30, 2017

	Program Services				Total Program Services	Management and General	Fundraising	2018 Total	2017 Total
	Social Services	Health Centers							
	Medical	Dental	Behavioral						
Salaries	\$ 507,211	\$ 5,663,202	\$ 2,012,444	\$ 574,331	\$ 8,757,188	\$ 1,453,949	\$ 311,506	\$ 10,522,643	\$ 9,999,884
Payroll Taxes and Benefits	114,326	996,895	347,572	114,469	1,573,262	278,203	52,347	1,903,812	1,910,297
TOTAL PERSONNEL COSTS	621,537	6,660,097	2,360,016	688,800	10,330,450	1,732,152	363,853	12,426,455	11,910,181
Ancillary Medical	-	348,565	171,001	-	519,566	-	-	519,566	565,713
Contributed Goods and Services	1,060,949	1,119,130	-	-	2,180,079	-	-	2,180,079	2,544,131
Depreciation Expense	41,875	287,439	204,876	23,702	557,892	44,622	10,289	612,803	530,602
EHR Maintenance and Hosting	-	115,757	-	53	115,810	-	-	115,810	127,721
Insurance	12,008	29,911	10,425	3,023	55,367	46,209	777	102,353	108,492
Occupancy	74,658	487,042	154,447	39,842	755,989	88,950	23,351	868,290	788,761
Other Expenses	7,625	95,311	13,128	2,937	119,001	103,097	11,798	233,896	215,596
Outside Services	20,009	414,799	198,808	12,646	646,262	305,016	56,828	1,008,106	779,595
Postage and Delivery	2,206	5,661	1,569	422	9,858	884	3,005	13,747	15,263
Printing and Duplication	20,798	29,924	6,467	2,575	59,764	5,614	18,485	83,863	95,838
Property and Equipment	17,775	84,696	44,926	8,445	155,842	34,317	4,860	195,019	170,518
Relief and Aid	481,708	-	-	-	481,708	-	-	481,708	536,495
Security Expense	13,165	97,695	26,980	10,915	148,755	185	310	149,250	150,086
Staff Development	2,991	69,062	12,416	10,249	94,718	55,272	2,725	152,715	153,218
Supplies and Office Expense	7,642	58,711	13,390	12,413	92,156	20,262	1,569	113,987	150,453
Travel	3,829	28,737	5,778	2,028	40,372	9,133	205	49,710	71,941
Utilities	22,052	95,366	36,107	10,347	163,872	14,977	3,439	182,288	166,684
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 2,410,827</u>	<u>\$ 10,027,903</u>	<u>\$ 3,260,334</u>	<u>\$ 828,397</u>	<u>\$ 16,527,461</u>	<u>\$ 2,460,690</u>	<u>\$ 501,494</u>	<u>\$ 19,489,645</u>	
					85%	13%	2%	100%	
TOTAL 2017 FUNCTIONAL EXPENSES	<u>\$ 2,571,472</u>	<u>\$ 9,746,785</u>	<u>\$ 3,225,503</u>	<u>\$ 596,218</u>	<u>\$ 16,139,978</u>	<u>\$ 2,428,334</u>	<u>\$ 512,976</u>		<u>\$ 19,081,288</u>
					85%	13%	2%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 34,290	\$ (128,930)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	612,803	530,602
Realized and Unrealized (Gains) and Losses on Investments	2,205	(14,316)
Gain on Disposal of Property and Equipment	(3,476)	-
Contributions Restricted for Permanent Endowment	-	(5,000)
(Increase) Decrease in:		
Fee-for-Service Contracts Receivable (Net)	(1,672,706)	(540,865)
Contributions and Grants Receivable	76,323	53,072
Other Receivables	110,459	(90,716)
Inventories	5,430	(9,244)
Prepaid Expenses and Other Current Assets	(116,784)	(14,374)
Deposits and Other Assets	58,500	44,535
Increase (Decrease) in:		
Accounts Payable	182,299	(79,159)
Accrued Expenses	170,808	718,837
Deferred Rent	(21,690)	(9,616)
Other Long-Term Liabilities	(74,621)	3,817
<i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>	(636,160)	458,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(384,904)	(517,156)
Acquisition of Pediatric Practice	(125,000)	-
Proceeds from Sale of Property and Equipment	3,792	-
Purchase of Investments	(95,115)	(144,374)
Sale of Investments	154,791	36,597
<i>NET CASH USED IN INVESTING ACTIVITIES</i>	(446,436)	(624,933)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Permanent Endowment	-	5,000
Proceeds from Lines of Credit	57,700	452,088
<i>NET CASH PROVIDED BY FINANCING ACTIVITIES</i>	57,700	457,088
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(1,024,896)	290,798
Cash and Cash Equivalents - Beginning of Year	1,767,463	1,476,665
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$ 742,567	\$ 1,767,463
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 1,929	\$ 19,901

The Accompanying Notes are an Integral Part of These Financial Statements

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 48 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
- 2016 - SOS begins providing services at Health Mobile
- 2017 - SOS Opens Harbor Pediatric Health Center

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 2017, the 48th Annual Adopt A Family event distributed thousands of Christmas toys, gifts and needed household items to 1,505 families (4,660 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 1,205 families in 2017 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 2017 SOS packed and distributed over 4,000 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.** 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, 2018

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 \$329,230 at June 30, 2018.
- **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 \$451,710 at June 30, 2018.

(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, 2018.

(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, 2018

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, 2018, 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, 2018 are due in their entirety within one year. SOS evaluated the collectability of contributions and grants receivable at June 30, 2018 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 \$2,000 and \$500 for Information Technology fixed assets and the useful life is greater than one year.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) GOODWILL

The excess of the purchase price over the fair market value of identifiable assets acquired, net of liabilities assumed, is recorded as goodwill. Goodwill is reviewed at least annually for possible impairment.

Testing goodwill for impairment involves a two-step process. The first step involves comparing the acquired practice's estimated fair value with its carrying value, including goodwill. If the estimated fair value of the acquired practice exceeds its carrying value, goodwill is not considered to be impaired and no additional steps are necessary. If the acquired practice's carrying value exceeds its estimated fair value, the clinic performs the second step to measure the amount of the impairment loss. The second step compares the carrying amount of the clinic's goodwill with the implied fair value of the goodwill, which is determined based on the allocation of the fair value of the acquired practice to its tangible and intangible assets (other than goodwill) and liabilities as if the acquired practice had been acquired in a business combination. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to the excess. During the year ended June 30, 2018, there was no indicators that would require goodwill to be tested for impairment.

(k) 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, 2018, no impairment loss was recognized.

(l) 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. The Organization is no longer subject to U.S. federal and state tax examinations for years before 2015 and 2014, respectively.

(m) 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.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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 \$1,368,497 and contributed laboratory and other services valued at \$811,582, which are included in revenue and support for the year ended June 30, 2018.

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.

(p) 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, 2018, SOS provided uncompensated care of \$5,456,528 to its patients, which has been calculated as the difference between total health care costs less net third party reimbursements for services.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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' financial statements for the year ended June 30, 2017 from which the summarized information was derived.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For SOS, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

In February 2016, FASB issued 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 June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For SOS, the ASU will be effective for the year ending June 30, 2020.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) RECLASSIFICATION

For comparability, the June 30, 2017 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at June 30, 2018.

(w) SUBSEQUENT EVENTS

SOS has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 15, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as described in Note 7.

NOTE 3 - INVESTMENTS

At June 30, 2018, investments consist of the following:

Fixed Income Securities	\$	794,941
Equity Securities		<u>204,410</u>
TOTAL INVESTMENTS	\$	<u><u>999,351</u></u>

Net investment income for the year ended June 30, 2018 consists of the following:

Interest and Dividend Income	\$	21,943
Net Realized and Unrealized Losses		<u>(2,205)</u>
INVESTMENT INCOME (NET)	\$	<u><u>19,738</u></u>

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.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about SOS' assets that are measured at fair value on a recurring basis at June 30, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities	\$ 794,941	\$ 794,941	\$ -	\$ -
Equity Securities	204,410	204,410	-	-
<i>TOTAL INVESTMENTS</i>	\$ 999,351	\$ 999,351	\$ -	\$ -

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.

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. 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 year ended June 30, 2018.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018:

	Social Services	Health Centers	Total
Land	\$ 333,000	\$ 567,000	\$ 900,000
Buildings	309,647	527,237	836,884
Buildings and Improvements	643,161	1,144,049	1,787,210
Leasehold Improvements	-	1,747,884	1,747,884
Vehicles	47,092	52,654	99,746
Medical and Dental Equipment	-	839,426	839,426
Computer Equipment	7,395	505,393	512,788
Computer Software	57,897	440,708	498,605
Office Equipment	17,530	271,831	289,361
Furniture and Fixtures	25,981	323,381	349,362
<i>TOTAL</i>	1,441,703	6,419,562	7,861,266
Less: Accumulated Depreciation			(3,563,115)
<i>TOTAL PROPERTY AND EQUIPMENT (NET)</i>			\$ 4,298,151

Depreciation expense for the year ended June 30, 2018 was \$612,803.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PEDIATRIC PRACTICE ACQUISITION

On December 4, 2017, SOS entered into an assets purchase agreement to acquire a pediatric practice and substantially all of the assets. The acquisition price is \$250,000 payable in two installments, of which \$20,000 is the value of all the transferred assets and \$230,000 is the goodwill.

On December 7, 2017, SOS made its first installment consisting of \$20,000 for the value of all transferred assets (recorded as property and equipment) and \$105,000 for the goodwill. At June 30, 2018, the second installment to the seller is in dispute due to breach of certain terms in the contract.

NOTE 7 - 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, 2018, \$1,059,387, including accrued interest, 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. On September 30, 2018, the line was renewed for advances up to \$900,000 and the maturity date was extended to December 2021. Interest accrues at a rate of 4.5% per annum. The line of credit is secured by certain assets of SOS. At June 30, 2018, \$926,896, including accrued interest, was owed under this line of credit.

The lines of credit contain various covenants.

Interest cost incurred under these lines of credit totaled \$57,700 during the year ended June 30, 2018.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 are as follows:

Community Health Center	\$	84,016
Social Services		149,127
Endowment*		96,087
		<hr/>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	329,230

Net asset balance indicated with an asterisk comprised the temporarily restricted endowment assets described in Note 9.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - 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 \$451,710. 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 for the preceding twelve-month period 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.

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.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund at June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 96,087	\$ 451,710	\$ 547,797
Changes in Endowment Net Assets for the Year Ended June 30, 2018				
Endowment Net Assets - Beginning of Year	\$ -	\$ 86,925	\$ 451,710	\$ 538,635
Contributions	-	-	-	-
Net Investment Income	-	9,162	-	9,162
Board Releases per Spending Policy	-	-	-	-
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	\$ -	\$ 96,087	\$ 451,710	\$ 547,797

NOTE 10 - 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, 2018 were \$192,849.

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. The plan was terminated in August 2017, as approved by SOS' Board of Directors.

NOTE 11 - 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

2019	734,560
2020	676,018
2021	578,577
2022	488,453
2023	330,422
Thereafter	502,544
<i>TOTAL</i>	<u>\$ 3,310,574</u>

Rent expense under operating leases for the year ended June 30, 2018 was \$773,272.

SHARE OUR SELVES CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

(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.

(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 12 - RELATED PARTY

On May 18, 2016, The Share Our Selves Foundation (the Foundation) was formed. The Foundation was inactive as of June 30, 2018.

SHARE OUR SELVES CORPORATION
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

SHARE OUR SELVES CORPORATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

FEDERAL AWARDS	Contract Number	Federal CFDA Number	Program Expenditures from Governmental Revenue
Agency - Program Grant Title	<hr/>		
MAJOR AWARDS			
U.S. Department of Health and Human Services			
Health Resources and Services Administration			
Health Center Cluster	H80CS24199	93.224	<u>\$ 2,531,785</u>
TOTAL MAJOR AWARDS			<u>2,531,785</u>
NON-MAJOR AWARDS			
U.S. Department of Homeland Security			
Passed through from the Orange County EFSP Board			
Emergency Food and Shelter Program Phase 32 Funds	078600-026	97.024	<u>71,074</u>
TOTAL NON-MAJOR AWARDS			<u>71,074</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 2,602,859</u></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.
4. Of the federal expenditures presented in the schedule, SOS provided no federal awards to subrecipients.

See Independent Auditor's Report