

**SHARE OUR SELVES CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**SHARE OUR SELVES CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**AUDIT  
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ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Share Our Selves Corporation

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Share Our Selves Corporation (SOS), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SOS' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOS as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Share Our Selves Corporation

### **Report on Summarized Comparative Information**

We have previously audited SOS' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters - Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the consolidated 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 March 8, 2021 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*

March 8, 2021  
Los Angeles, California

## SHARE OUR SELVES CORPORATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

With Summarized Totals at June 30, 2019

| <b>ASSETS</b>  | 2020          | 2019         |
|--|---------------|--------------|
| <b>CURRENT ASSETS:</b>                                 |               |              |
| Cash and Cash Equivalents                              | \$ 3,769,180  | \$ 473,188   |
| Short-Term Investments                                 | 156,830       | 113,418      |
| Patient Service Accounts Receivable (Net)              | 761,073       | 1,414,502    |
| Grants Receivable                                      | 92,413        | 162,500      |
| Contributions Receivable                               | 142,900       | 96,400       |
| Other Receivables                                      | 10,500        | 146,378      |
| Prepaid Expenses and Other Current Assets              | 146,463       | 172,820      |
| <b>TOTAL CURRENT ASSETS</b>                            | 5,079,359     | 2,579,206    |
| <b>OTHER ASSETS:</b>                                   |               |              |
| Investments Held for Long-Term Purposes                | 776,710       | 551,710      |
| Patient Services Accounts Receivable - Long-Term (Net) | 2,160,655     | 1,592,621    |
| Contributions Receivable - Long Term                   | 295,100       | 285,600      |
| Property and Equipment (Net)                           | 4,318,468     | 3,769,158    |
| Deposits and Other Assets                              | 396,551       | 454,998      |
| <b>TOTAL OTHER ASSETS</b>                              | 7,947,484     | 6,654,087    |
| <b>TOTAL ASSETS</b>                                    | \$ 13,026,843 | \$ 9,233,293 |
| <b>LIABILITIES AND NET ASSETS</b>                      |               |              |
| <b>CURRENT LIABILITIES:</b>                            |               |              |
| Accounts Payable                                       | \$ 539,021    | \$ 770,975   |
| Accrued Expenses                                       | 1,636,210     | 1,511,225    |
| Capital Lease Obligation                               | 39,187        | -            |
| <b>TOTAL CURRENT LIABILITIES</b>                       | 2,214,418     | 2,282,200    |
| <b>OTHER LIABILITIES:</b>                              |               |              |
| Lines of Credit  | 2,018,405     | 1,981,063    |
| Paycheck Protection Program Loan                       | 2,116,210     | -            |
| COVID-19 Economic Injury Disaster Loan                 | 150,000       | -            |
| Capital Lease Obligation, Net of Current Portion       | 153,689       | -            |
| Deferred Rent  | 342,292       | 402,490      |
| <b>TOTAL OTHER LIABILITIES</b>                         | 4,780,596     | 2,383,553    |
| <b>TOTAL LIABILITIES</b>                               | 6,995,014     | 4,665,753    |
| <b>NET ASSETS:</b>                                     |               |              |
| Without Donor Restrictions                             | 4,593,492     | 3,193,248    |
| With Donor Restrictions                                | 1,438,337     | 1,374,292    |
| <b>TOTAL NET ASSETS</b>                                | 6,031,829     | 4,567,540    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                | \$ 13,026,843 | \$ 9,233,293 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

## SHARE OUR SELVES CORPORATION

### CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

|  | 2020                          |                            |                     | 2019<br>Total       |
|--|-------------------------------|----------------------------|---------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |                     |
| <b>REVENUE AND SUPPORT:</b>  |                               |                            |                     |                     |
| Fee-for-Service (Net)  | \$ 9,909,803                  | \$ -                       | \$ 9,909,803        | \$ 10,018,114       |
| Capitation Premiums  | 1,198,018                     | -                          | 1,198,018           | 952,564             |
| Government Grants  | 4,123,300                     | -                          | 4,123,300           | 2,735,642           |
| Other Grants   | 133,908                       | 167,400                    | 301,308             | 529,905             |
| Contributions  | 1,886,619                     | 293,836                    | 2,180,455           | 1,665,959           |
| Special Events (Net of Direct<br>Donor Benefits of \$85,390)       | 169,608                       | -                          | 169,608             | 219,631             |
| Program Income (Loss) (Net of Direct<br>Program Costs of \$87,344) | (9,495)                       | -                          | (9,495)             | 57,327              |
| Contributed Goods and Services                                     | 1,625,564                     | -                          | 1,625,564           | 2,138,846           |
| Pharmacy Revenues  | 165,714                       | -                          | 165,714             | 99,327              |
| Transfers  | (125,000)                     | 125,000                    | -                   | -                   |
| Net Assets Released from Restrictions                              | 533,469                       | (533,469)                  | -                   | -                   |
| <b>TOTAL REVENUE AND SUPPORT</b>                                   | <b>19,611,508</b>             | <b>52,767</b>              | <b>19,664,275</b>   | <b>18,417,315</b>   |
| <b>EXPENSES:</b>   |                               |                            |                     |                     |
| Program Services   | 15,228,575                    | -                          | 15,228,575          | 16,125,085          |
| Management and General   | 2,144,392                     | -                          | 2,144,392           | 2,342,635           |
| Fundraising  | 954,289                       | -                          | 954,289             | 786,719             |
| <b>TOTAL EXPENSES</b>  | <b>18,327,256</b>             | <b>-</b>                   | <b>18,327,256</b>   | <b>19,254,439</b>   |
| <b>OPERATING INCOME (LOSS)</b>                                     | <b>1,284,252</b>              | <b>52,767</b>              | <b>1,337,019</b>    | <b>(837,124)</b>    |
| <b>OTHER INCOME (LOSS):</b>  |                               |                            |                     |                     |
| Investment Return (Net)  | 13,768                        | 11,278                     | 25,046              | 62,225              |
| Impairment Loss on Physician Practice                              | -                             | -                          | -                   | (105,000)           |
| Other Income (Net)   | 102,224                       | -                          | 102,224             | 250,049             |
| <b>TOTAL OTHER INCOME</b>  | <b>115,992</b>                | <b>11,278</b>              | <b>127,270</b>      | <b>207,274</b>      |
| <b>CHANGE IN NET ASSETS</b>  | <b>1,400,244</b>              | <b>64,045</b>              | <b>1,464,289</b>    | <b>(629,850)</b>    |
| Net Assets - Beginning of Year                                     | 3,193,248                     | 1,374,292                  | 4,567,540           | 5,197,390           |
| <b>NET ASSETS - END OF YEAR</b>                                    | <b>\$ 4,593,492</b>           | <b>\$ 1,438,337</b>        | <b>\$ 6,031,829</b> | <b>\$ 4,567,540</b> |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**SHARE OUR SELVES CORPORATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2020  
With Summarized Totals for the Year Ended June 30, 2019

|                                       | Program Services    |                     |                     |                     | Total Program Services | Management and General | Fundraising       | 2020 Total           | 2019 Total           |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|------------------------|------------------------|-------------------|----------------------|----------------------|
|                                       | Social Services     | Medical             | Dental              | Behavioral          |                        |                        |                   |                      |                      |
| Salaries                              | \$ 537,761          | \$ 5,162,873        | \$ 1,724,280        | \$ 687,011          | \$ 8,111,925           | \$ 1,166,651           | \$ 521,071        | \$ 9,799,647         | \$ 10,079,781        |
| Payroll Taxes and Benefits            | 108,370             | 903,020             | 313,126             | 142,625             | 1,467,141              | 231,933                | 92,386            | 1,791,460            | 1,868,964            |
| <b>TOTAL PERSONNEL COSTS</b>          | 646,131             | 6,065,893           | 2,037,406           | 829,636             | 9,579,066              | 1,398,584              | 613,457           | 11,591,107           | 11,948,745           |
| Ancillary Medical                     | -                   | 271,464             | 161,875             | -                   | 433,339                | -                      | -                 | 433,339              | 496,619              |
| Contributed Goods and Services        | 1,258,712           | 366,852             | -                   | -                   | 1,625,564              | -                      | -                 | 1,625,564            | 2,138,846            |
| Depreciation Expense                  | 29,456              | 271,862             | 200,784             | 37,129              | 539,231                | 45,786                 | 11,887            | 596,904              | 603,954              |
| EHR Maintenance and Hosting           | -                   | 97,257              | 3,838               | 8,701               | 109,796                | -                      | -                 | 109,796              | 100,752              |
| Insurance                             | 13,085              | 31,758              | 9,834               | 4,078               | 58,755                 | 50,241                 | 1,423             | 110,419              | 107,942              |
| Occupancy                             | 78,033              | 487,450             | 164,897             | 49,955              | 780,335                | 76,011                 | 206,911           | 1,063,257            | 896,116              |
| Other Expenses                        | 7,611               | 130,765             | 9,833               | 2,079               | 150,288                | 91,601                 | 10,852            | 252,741              | 217,383              |
| Outside Services                      | 11,037              | 595,818             | 109,721             | 104,990             | 821,566                | 301,896                | 25,402            | 1,148,864            | 1,299,122            |
| Postage and Delivery                  | 1,546               | 7,619               | 2,209               | 633                 | 12,007                 | 1,326                  | 3,040             | 16,373               | 17,159               |
| Printing and Duplication              | 13,688              | 28,832              | 4,033               | 2,295               | 48,848                 | 3,519                  | 26,629            | 78,996               | 78,836               |
| Property and Equipment                | 22,127              | 68,406              | 29,152              | 2,717               | 122,402                | 38,163                 | 22,847            | 183,412              | 192,178              |
| Relief and Aid                        | 436,616             | -                   | -                   | -                   | 436,616                | -                      | -                 | 436,616              | 452,369              |
| Security Expense                      | 16,606              | 84,973              | 30,653              | 8,729               | 140,961                | 1,760                  | 8,605             | 151,326              | 159,221              |
| Staff Development                     | 1,572               | 24,955              | 6,856               | 6,010               | 39,393                 | 72,851                 | 2,433             | 114,677              | 177,417              |
| Supplies and Office Expense           | 12,161              | 66,278              | 16,648              | 18,797              | 113,884                | 11,909                 | 3,718             | 129,511              | 101,312              |
| Travel                                | 91                  | 7,592               | 1,606               | 563                 | 9,852                  | 6,759                  | -                 | 16,611               | 30,374               |
| Utilities                             | 23,436              | 123,686             | 44,399              | 15,151              | 206,672                | 43,986                 | 17,085            | 267,743              | 236,094              |
| <b>TOTAL 2020 FUNCTIONAL EXPENSES</b> | <u>\$ 2,571,908</u> | <u>\$ 8,731,460</u> | <u>\$ 2,833,744</u> | <u>\$ 1,091,463</u> | <u>\$ 15,228,575</u>   | <u>\$ 2,144,392</u>    | <u>\$ 954,289</u> | <u>\$ 18,327,256</u> |                      |
|                                       |                     |                     |                     |                     | 83%                    | 12%                    | 5%                | 100%                 |                      |
| <b>TOTAL 2019 FUNCTIONAL EXPENSES</b> | <u>\$ 2,354,701</u> | <u>\$ 9,740,401</u> | <u>\$ 2,957,325</u> | <u>\$ 1,072,658</u> | <u>\$ 16,125,085</u>   | <u>\$ 2,342,635</u>    | <u>\$ 786,719</u> |                      | <u>\$ 19,254,439</u> |
|                                       |                     |                     |                     |                     | 84%                    | 12%                    | 4%                |                      | 100%                 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

## SHARE OUR SELVES CORPORATION

### CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2020 With Summarized Totals for the Year Ended June 30, 2019

|   | 2020                | 2019              |
|---|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                   |
| Change in Net Assets  | \$ 1,464,289        | \$ (629,850)      |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: |                     |                   |
| Depreciation  | 596,904             | 603,954           |
| Release of Allowance for Uncollectible Accounts   | (311,540)           | -                 |
| Realized and Unrealized (Gains) Losses on Investments   | 3,460               | (36,268)          |
| Contributions of Investment Securities  | (100,000)           | (100,000)         |
| Contributions Restricted for Investment in Perpetuity   | (125,000)           | -                 |
| (Gain) Loss on Disposal of Property and Equipment   | 10,368              | (2,797)           |
| Impairment Loss on Pediatric Practice   | -                   | 105,000           |
| (Increase) Decrease in:   |                     |                   |
| Patient Service Accounts Receivable (Net)   | 396,935             | 296,330           |
| Grants Receivable   | 70,087              | (110,401)         |
| Contributions Receivable  | (181,000)           | (357,000)         |
| Other Receivables   | 135,878             | (146,378)         |
| Prepaid Expenses and Other Current Assets   | 26,357              | 65,465            |
| Deposits and Other Assets   | 58,447              | 40,181            |
| Increase (Decrease) in:   |                     |                   |
| Accounts Payable  | (231,954)           | 7,871             |
| Accrued Expenses  | (67,891)            | (358,937)         |
| Deferred Rent   | (60,198)            | (39,656)          |
|   | <b>1,685,142</b>    | <b>(662,486)</b>  |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  |                     |                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                   |
| Purchases of Property and Equipment   | (772,430)           | (94,970)          |
| Proceeds from Sale of Property and Equipment  | 1,600               | 22,806            |
| Purchases of Investments  | (199,210)           | (38,317)          |
| Sales of Investments  | 152,338             | 508,808           |
|   | <b>(817,702)</b>    | <b>398,327</b>    |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>  |                     |                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                   |
| Proceeds from Contributions Restricted for Investment in Perpetuity                                   | 125,000             | -                 |
| Net Proceeds from (Payments on) Lines of Credit   | 37,342              | (5,220)           |
| Proceeds from Paycheck Protection Program Loan  | 2,116,210           | -                 |
| Proceeds from COVID-19 Economic Injury Disaster Loan  | 150,000             | -                 |
|   | <b>2,428,552</b>    | <b>(5,220)</b>    |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>  |                     |                   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>3,295,992</b>    | <b>(269,379)</b>  |
| Cash and Cash Equivalents - Beginning of Year   | 473,188             | 742,567           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <b>\$ 3,769,180</b> | <b>\$ 473,188</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>  |                     |                   |
| Cash Paid During the Year for Interest  | \$ 60,663           | \$ 56,481         |
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:</b>  |                     |                   |
| Acquisition of Property and Equipment in Exchange for Accounts Payable                                | \$ 192,876          | \$ -              |
| Acquisition of Property and Equipment in Exchange for the Capital Lease Obligation                    | 192,876             | -                 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 1 - ORGANIZATION

Share Our Selves Corporation (Clinic) was founded in 1970 and incorporated in the State of California as a community-based 501(c)(3) nonprofit 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.

The consolidated financial statements include the accounts of the Clinic and The Share Our Selves Foundation (collectively SOS). The Share Our Selves Foundation has a fiscal year end of December 31.

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 49 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 at 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

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### **NOTE 1 - ORGANIZATION** (continued)

- 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 Samuelli Academy
- 2016 - SOS begins providing services at Health Mobile
- 2017 - SOS Opens Harbor Pediatric Health Center
- 2018 - SOS closed the Harbor Pediatric Health Center
- 2019 - SOS moved the South County Practice from Saddleback campus to a new location in Mission Viejo.

### **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 2019, the 50<sup>th</sup> Annual Adopt A Family event distributed thousands of Christmas toys, gifts and needed household items to 1,490 families (including 3,100 adults and 4,537 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 1,338 families in 2019 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 2019 SOS packed and distributed over 3,000 new backpacks, filled with school supplies, to its most vulnerable student populations, helping them to be prepared and excited for the new school year.

The Share Our Selves Foundation's specific purpose is to support the mission of the Clinic, to provide quality primary health care to people in need.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

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

All significant intercompany transactions between the Clinic and The Share Our Selves Foundation have been eliminated in consolidation.

#### (b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. 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.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) and/or the related conditions are substantially met in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### (c) USE OF ESTIMATES

The preparation of consolidated 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.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(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, 2020.

#### **(e) INVESTMENTS**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment in a private investment company is valued, as a practical expedient, utilizing the net asset valuation provided by the underlying private investment company, without adjustment, when the net asset valuations of the investments are calculated in the manner consistent with GAAP for investment companies.

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 consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is 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 consolidated statement of financial position.

#### **(f) PATIENT SERVICE ACCOUNTS RECEIVABLE 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, 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, 2020, SOS has established an allowance for uncollectible net patient service accounts receivable in the amount of \$243,204.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) GRANTS AND CONTRIBUTIONS RECEIVABLE AND REVENUE RECOGNITION

SOS recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded at fair value, and in the case of pledges, are recorded at the present value of their estimated future cash flows.

A portion of SOS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SOS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. SOS received cost-reimbursable grants of approximately \$3,170,400, of which no amounts have been received in advance that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. Revenues from other non-cost reimbursement government and private grants are recognized when received absent measurable performance barriers and rights of return according to the provisions of the grants.

SOS evaluated the collectability of grants and contributions receivable at June 30, 2020 and determined that no allowance for doubtful accounts was needed.

#### (h) 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   |

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(h) PROPERTY AND EQUIPMENT** (continued)

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 assets and the useful life is greater than one year.

#### **(i) 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, 2020, no impairment loss was recognized.

#### **(j) CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT**

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, and increased limitations on qualified charitable contributions. The CARES Act also appropriates funds for the Small Business Administration Paycheck Protection Program ("PPP"). In addition, specifically for the healthcare entities, the Act authorized \$100 billion to eligible healthcare providers to prevent, prepare for and respond to coronavirus. This funding is intended to support COVID-19 related expenses and lost revenue. To alleviate further strain, the Centers for Medicare and Medicaid Services (CMS) is providing additional relief to healthcare entities, both through expansion of the Medicare Accelerated and Advance Payment Program and through certain provisions of the Act. Healthcare entities may also receive funds from the Federal Emergency Management Agency's (FEMA) Public Assistance program or directly through other state or local grants. The Organization continues to monitor the terms and conditions of the awards received under the CARES Act to ensure compliance as well as analyzing other provisions of the CARES Act, including all related interpretations, rules, and regulations as they are issued by the appropriate federal agencies. During the year ended June 30, 2020, SOS received awards under the CARES Act totaling \$1,224,761, \$897,817 of which was expended during the year ended June 30, 2020, and the remaining amount is conditional on incurring qualifying expenditures.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) PAYCHECK PROTECTION PROGRAM LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as debt instruments and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and SOS has been 'legally released' or (2) SOS repays the loan to the lender.

#### (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 Section 23701(d) of the California Revenue and Taxation Code.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, SOS recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2020, SOS performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

#### (m) DEFERRED RENT

SOS entered into a sublease in December 2013 commencing 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 CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(n) NET FEE-FOR-SERVICE, CAPITATION, AND OTHER CONTRACT REVENUE**

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 include 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.

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.

#### **(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 \$1,258,712 and contributed laboratory and other services valued at \$366,85252 which are included in revenue and support for the year ended June 30, 2020.

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, 2020, SOS provided uncompensated care of \$3,367,629 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 CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### **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. SOS recognized \$93,500 of incentive revenue during year ended June 30, 2020.

#### **(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, such as based on the relative number of patient encounters or full-time equivalent employees, as applicable.

#### **(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 consolidated 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' consolidated financial statements for the year ended June 30, 2019 from which the summarized information was derived.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) NEW ACCOUNTING PRONOUNCEMENTS

In June 2018, FASB issued Accounting Standards Update (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. SOS implemented the ASU for the year ending June 30, 2020. There was no significant impact to SOS' consolidated financial statements as a result of the implementation of the ASU.

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 consolidated 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, 2021.

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 consolidated financial statements. For SOS, the ASU will be effective for the year ending June 30, 2023.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For SOS, the ASU will be effective for the year ending June 30, 2022.

#### (v) RECLASSIFICATIONS

For comparability, the June 30, 2019 amounts have been reclassified, where appropriate, to conform to the consolidated financial statement presentation used at June 30, 2020.

#### (w) SUBSEQUENT EVENTS

SOS has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March 8, 2021, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - INVESTMENTS

At June 30, 2020, investments consist of the following:

|                            |                          |
|----------------------------|--------------------------|
| Mutual Funds:              |                          |
| Fixed Income               | \$ 609,094               |
| Equity                     | 124,446                  |
| Private Investment Company | <u>200,000</u>           |
| <b>TOTAL INVESTMENTS</b>   | <b><u>\$ 933,540</u></b> |

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### 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.

Investments valued using net asset value per share or its equivalent (NAV) comprise interests in a private investment company. These investments are valued using the NAV (or its equivalent, for example, member units or an ownership interest in partners' capital, to which a proportionate share of net assets is attributed) provided by the fund manager. It is probable that this investment will be sold at an amount different from its fair value at June 30, 2020.

The following table presents information about SOS' assets that are measured at fair value on a recurring basis at June 30, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

|                               | Year Ended<br>June 30, 2020 | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Fair Value Measurements Using                             |  |   |
|-------------------------------|-----------------------------|---|---|--|---|
|                               |                             |   | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Net Asset<br>Value Per<br>Share or its<br>Equivalent<br>(NAV) |
| Mutual Funds:                 |                             |   |   |  |   |
| Fixed Income                  | \$ 609,094                  | \$ 609,094  | \$ -  | \$ -   | \$ -  |
| Equity                        | 124,446                     | 124,446   | -   | -  | -   |
| Private Investment<br>Company | 200,000                     | -   | -   | -  | 200,000   |
| <b>TOTAL<br/>INVESTMENTS</b>  | <b>\$ 933,540</b>           | <b>\$ 733,540</b>   | <b>\$ -</b>   | <b>\$ -</b>  | <b>\$ 200,000</b>   |

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

## SHARE OUR SELVES CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

#### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The fair value of the investment in a private investment company (Level 3 input) was valued based on the value of membership units held at June 30, 2020, supported by communications from the investment fund manager and investment transactions near year end. Redemptions can be made after the investment has been held for 12 months and with a written 60-day notice of withdrawal. There were no unfunded commitments to this investment at June 30, 2020.

#### NOTE 5 - CONTRIBUTIONS RECEIVABLE

|                                       |                          |
|---------------------------------------|--------------------------|
| To Be Received in Less than One Year  | \$ 142,900               |
| To Be Received in One to Five Years   | <u>295,100</u>           |
| <b>TOTAL CONTRIBUTIONS RECEIVABLE</b> | <b><u>\$ 438,000</u></b> |

#### NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

|   | Social<br>Services         | Health<br>Centers          | Total                      |
|---|----------------------------|----------------------------|----------------------------|
| Land                                      | \$ 333,000                 | \$ 567,000                 | \$ 900,000                 |
| Buildings                                 | 309,647                    | 527,237                    | 836,884                    |
| Buildings and Improvements                | 643,161                    | 1,266,120                  | 1,909,281                  |
| Leasehold Improvements                    | -                          | 1,776,020                  | 1,776,020                  |
| Vehicles                                  | 47,092                     | 52,654                     | 99,746                     |
| Medical and Dental Equipment              | -                          | 840,570                    | 840,570                    |
| Computer Equipment                        | 7,395                      | 559,271                    | 566,666                    |
| Computer Software                         | 57,897                     | 1,428,938                  | 1,486,835                  |
| Office Equipment                          | 17,530                     | 273,341                    | 290,871                    |
| Furniture and Fixtures                    | 25,981                     | 339,089                    | 365,070                    |
| <b>TOTAL</b>                              | <b><u>\$ 1,441,703</u></b> | <b><u>\$ 7,630,240</u></b> | <b>9,071,943</b>           |
| Less: Accumulated Depreciation            |                            |                            | <u>(4,753,475)</u>         |
| <b>TOTAL PROPERTY AND EQUIPMENT (NET)</b> |                            |                            | <b><u>\$ 4,318,468</u></b> |

Depreciation expense for the year ended June 30, 2020 was \$596,904.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 7 - CAPITAL LEASE OBLIGATION

SOS has financed certain computer software via a capital lease obligation. The capital lease is secured by the asset under the lease. The lease agreement provides for monthly principal and interest payments through June 2025.

The following is a schedule by year of future minimum lease payments for these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2020:

#### Year Ending June 30:

|   |                   |
|---|-------------------|
| 2021  | \$ 40,983         |
| 2022  | 39,555            |
| 2023  | 39,555            |
| 2024  | 39,555            |
| 2025  | <u>38,127</u>     |
| <b>TOTAL MINIMUM LEASE<br/>PAYMENTS</b>                     | 197,775           |
| Less: Amount Representing Interest                          | <u>(4,899)</u>    |
| <b>TOTAL MINIMUM LEASE<br/>PAYMENTS</b>                     | 192,876           |
| Less: Current Portion                                       | <u>(39,187)</u>   |
| <b>CAPITAL LEASE OBLIGATION,<br/>NET OF CURRENT PORTION</b> | <u>\$ 153,689</u> |

### NOTE 8 - LINES OF CREDIT

SOS has 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, California. The line of credit matures in April 2022. Interest accrues at a rate of 3.50% per annum and is due upon the line maturity date. The line of credit is secured by certain assets of SOS. At June 30, 2020, \$1,000,000 was drawn and outstanding on this line of credit, and unpaid accrued interest totaled \$118,405 at June 30, 2020.

In addition, SOS has a line of credit agreement with a local hospital. The agreement provides for advances up to \$900,000 for the benefit of the clinics located in Newport Beach, California. The line of credit matures in December 2021. Interest accrues at a rate of 4.50% per annum. The line of credit is secured by certain assets of SOS. At June 30, 2020, \$900,000 was drawn and outstanding on this line of credit.

The lines of credit contain various covenants. Interest cost incurred under these lines of credit totaled \$95,759 during the year ended June 30, 2020.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

On April 28 2020, SOS received a PPP loan in the amount of \$2,116,210. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If SOS does not apply for forgiveness within 10 months after the last day of the covered period (defined, at SOS's election, as either 8 weeks or 24 weeks), such payments will be due that month.

SOS intends to apply for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, SOS will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2020 the total outstanding balance of the PPP loan was \$2,116,210.

### NOTE 10 - COVID-19 ECONOMIC INJURY DISASTER LOAN

On May 18, 2020, SOS received a \$150,000 COVID-19 Economic Injury Disaster Loan (EIDL), administered by the SBA available under the provisions of the CARES Act for the purpose of meeting obligations and operating expenses that could have been met had the disaster not occurred. The EIDL carries a fixed interest rate of 2.75%. Interest accrued on the loan beginning with the initial disbursement; and monthly payments of principal and interest are due starting one year from the date of the initial disbursement through May 18, 2050. At June 30, 2020 the total outstanding balance of the EIDL loan was \$150,000.

Future maturities of the EIDL loan as of June 30, 2020, are as follows:

#### Years Ending June 30

|              |    |                |
|--------------|----|----------------|
| 2021         | \$ | -              |
| 2022         |    | 380            |
| 2023         |    | 3,623          |
| 2024         |    | 3,724          |
| 2025         |    | 3,827          |
| Thereafter   |    | <u>138,446</u> |
| <b>TOTAL</b> | \$ | <u>150,000</u> |

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

|   |                            |
|---|----------------------------|
| Subject to Expenditure for Specific Purpose:        |                            |
| Community Health Center                             | \$ 120,833                 |
| Social Services Program                             | 189,732                    |
| Subject to Passage of Time:                         |                            |
| Pledges Not Available until Due                     | 413,000                    |
| Subject to Endowment Spending:                      |                            |
| Donor-Restricted Endowment Corpus                   | 576,710                    |
| Accumulated Endowment Earnings                      | <u>138,062</u>             |
| <b>TOTAL NET ASSETS WITH<br/>DONOR RESTRICTIONS</b> | <b><u>\$ 1,438,337</u></b> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2020:

|  |                          |
|--|--------------------------|
| Satisfaction of Purpose Restrictions:                        |                          |
| Community Health Center                                      | \$ 187,500               |
| Social Services Programs                                     | 124,469                  |
| Satisfaction of Time Restrictions                            | <u>221,500</u>           |
| <b>TOTAL NET ASSETS RELEASED<br/>FROM DONOR RESTRICTIONS</b> | <b><u>\$ 533,469</u></b> |

### NOTE 12 - 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 net assets with donor restrictions required to be held in perpetuity the amount originally distributed to the endowment of \$576,710. The donor-imposed restrictions on certain endowment funds allow for the use of corpus if needed; accordingly, these endowment funds are classified as net assets with donor restrictions. Those endowment funds and the related earnings remain classified as net assets with donor restrictions 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.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 12 - ENDOWMENTS (continued)

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 fall below the level that the donor requires SOS to retain as a fund of perpetual duration. In accordance with ASC Topic No. 958, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020, there were no deficiencies in the endowment funds.

| <b>Endowment Net Asset Composition by<br/>Type of Fund at June 30, 2020</b> | <u>With Donor<br/>Restrictions</u> |
|---|------------------------------------|
| Donor-Restricted  | <u>\$ 714,772</u>                  |
| <b>Changes in Endowment Net Assets for<br/>the Year Ended June 30, 2020</b> |                                    |
| Endowment Net Assets -  |                                    |
| Beginning of Year   | \$ 578,495                         |
| Transfers*  | 125,000                            |
| Investment Return (Net)   | 11,277                             |
| Board Releases per Spending Policy  | <u>-</u>                           |
| <b>ENDOWMENT NET ASSETS -<br/>END OF YEAR</b>                               | <u><u>\$ 714,772</u></u>           |

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 12 - ENDOWMENTS (continued)

\* During the year ended June 30, 2020, management received additional information in relation to two contributions totaling \$125,000 received in prior years that indicated that the contributions had been restricted by the respective donors to be part of SOS' endowment corpus. Such contributions are included in the transfers in the consolidated statement of activities.

### NOTE 13 - RETIREMENT PLAN

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, 2020 were \$148,237.

### NOTE 14 - 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

|              |                            |
|--------------|----------------------------|
| 2021         | \$ 952,397                 |
| 2022         | 738,244                    |
| 2023         | 543,774                    |
| 2024         | 470,886                    |
| 2025         | 151,062                    |
| Thereafter   | <u>11,148</u>              |
| <b>TOTAL</b> | <b><u>\$ 2,867,511</u></b> |

Rent expense under operating leases for the year ended June 30, 2020 was \$942,135.

#### (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.

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2020

### NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

#### (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, would have a material effect on the accompanying consolidated financial statements.

### NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total consolidated financial assets held by SOS at June 30, 2020 and the amounts of those consolidated financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

|  |                                   |
|--|-----------------------------------|
| Consolidated Financial Assets at June 30,<br>2020:                                     |                                   |
| Cash and Cash Equivalents  | \$ 3,502,383                      |
| Patient Services Accounts Receivable   | 761,073                           |
| Grants Receivable  | 92,413                            |
| Other Receivables  | <u>10,500</u>                     |
| <b>CONSOLIDATED FINANCIAL ASSETS<br/>MEET GENERAL EXPENDITURES<br/>WITHIN ONE YEAR</b> | <b><u><u>\$ 4,366,369</u></u></b> |

# SHARE OUR SELVES CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

### **NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES** (continued)

SOS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SOS is substantially supported by third-party reimbursement for service revenues, government grants, and private and community support. As part of SOS's liquidity management, it has a policy to structure its consolidated financial assets to be available as its general expenditures, liabilities, and other obligations come due.

During the year ended June 30, 2020, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world. This COVID-19 outbreak has caused business disruption, which may negatively impact SOS's operations and program services delivery. The disruption is expected to be temporary; however, there is considerable uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. While SOS is closely monitoring its operations, liquidity and capital resources, it is also actively working to minimize the current and future impact of this unprecedented situation. The related financial impact and duration of this disruption, however, cannot be reasonably estimated at this time.

**SHARE OUR SELVES CORPORATION**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

**SHARE OUR SELVES CORPORATION**

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2020

| <b>FEDERAL AWARDS</b>  | Contract<br>Number | Federal<br>CFDA<br>Number | Program<br>Expenditures<br>from<br>Governmental<br>Revenue |
|--|--------------------|---------------------------|--|
| Agency - Program Grant Title   | <hr/>              |                           |  |
| <b>MAJOR AWARDS</b>  |                    |                           |  |
| U.S. Department of Health and Human Services   |                    |                           |  |
| Health Resources and Services Administration   |                    |                           |  |
| Health Center Programs   | H80CS24199         | 93.224                    | \$ 2,591,916   |
| COVID-19 Coronavirus Supplemental<br>Funding for Health Centers  | H8CCS34040         | 93.224                    | 65,717   |
| COVID-19 Health Center Coronavirus Aid,<br>Relief, and Economic Security (CARES) Act Funding               | H8DCS35799         | 93.224                    | <u>832,100</u>   |
| Total 93.224, Health Center Cluster  |                    |                           | <u>3,489,733</u>   |
| <b>TOTAL MAJOR AWARDS</b>  |                    |                           | <u>3,489,733</u>   |
| <b>NON-MAJOR AWARDS</b>  |                    |                           |  |
| U.S. Small Business Administration   |                    |                           |  |
| Disaster Assistance Loans - COVID-19 Economic<br>Injury Disaster Loan                                      | 8165937410         | 59.008                    | 150,000  |
| U.S. Department of Health and Human Services   |                    |                           |  |
| Substance Abuse and Mental Health Services Administration  |                    |                           |  |
| SOS Mission - Maintaining Independence and Sobriety<br>Through System Integration, Outreach and Networking | 1H79TI080472-01    | 93.243                    | 271,167  |
| U.S. Department of Health and Human Services   |                    |                           |  |
| Office of Population Affairs   |                    |                           |  |
| Pass-through The Obria Group, Inc.<br>Title X Family Planning Services                                     | PA-FPH-19-001      | 93.217                    | 187,500  |
| U.S. Department of Homeland Security   |                    |                           |  |
| Passed through from the Orange County EFSP Board   |                    |                           |  |
| Emergency Food and Shelter Program Phase 34 Funds  | 078600-025         | 97.024                    | <u>24,900</u>  |
| <b>TOTAL NON-MAJOR AWARDS</b>  |                    |                           | <u>633,567</u>   |
| <b>TOTAL FEDERAL AWARDS</b>  |                    |                           | <u>\$ 4,123,300</u>  |

See Independent Auditor's Report

## SHARE OUR SELVES CORPORATION

### CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

#### **Summary of Significant Accounting Policies:**

- 1.** Basis of Presentation - The accompanying consolidated schedule of expenditures of federal awards (Schedule) includes the federal award activity of SOS under programs of the federal government for the year ended June 30, 2020. The information in 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). Because the Schedule presents only a selected portion of the operations of SOS, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of SOS.
- 2.** Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The expenditures of federal awards reported on this schedule may in certain instances exceed the amount of awards earned. In these instances, SOS recognizes revenue only to the extent of the awards earned.
- 3.** SOS has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- 4.** Of the federal expenditures presented in the schedule, SOS provided no federal awards to subrecipients.

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