

SHARE OUR SELVES CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

AUDIT
AND
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 and Affiliate (collectively, SOS), which comprise the consolidated statement of financial position as of June 30, 2021, 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, 2021, and the changes in their net assets and their 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' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 December 13, 2021 on our consideration of SOS' internal control over financial reporting and on our tests of their 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

December 13, 2021
Los Angeles, California

SHARE OUR SELVES CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

With Summarized Totals at June 30, 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,874,351	\$ 3,769,180
Short-Term Investments	752,261	156,830
Patient Service Accounts Receivable	859,803	685,163
Estimated Amounts Due from Third-Party Payors	151,884	110,002
Grants Receivable	1,078,377	92,413
Contributions Receivable	135,000	142,900
Other Receivables	6,400	10,500
Prepaid Expenses and Other Current Assets	<u>201,917</u>	<u>146,463</u>
TOTAL CURRENT ASSETS	6,059,993	5,113,451
OTHER ASSETS:		
Investments Held for Long-Term Purposes	774,799	776,710
Estimated Amounts Due from Third-Party Payors (Net)	2,010,724	2,126,563
Contributions Receivable - Long Term	140,000	295,100
Property and Equipment (Net)	3,819,410	4,318,468
Deposits and Other Assets	<u>356,558</u>	<u>396,551</u>
TOTAL OTHER ASSETS	7,101,491	7,913,392
TOTAL ASSETS	<u>\$ 13,161,484</u>	<u>\$ 13,026,843</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 309,609	\$ 539,021
Accrued Expenses	834,443	962,596
Line of Credit	1,153,405	-
Capital Lease Obligation	38,205	39,187
Estimated Amounts Due to Third-Party Payors	<u>735,334</u>	<u>673,614</u>
TOTAL CURRENT LIABILITIES	3,070,996	2,214,418
OTHER LIABILITIES:		
Lines of Credit	-	2,018,405
Paycheck Protection Program Loan	-	2,116,210
COVID-19 Economic Injury Disaster Loan	150,000	150,000
Capital Lease Obligation, Net of Current Portion	115,484	153,689
Deferred Rent	<u>321,820</u>	<u>342,292</u>
TOTAL OTHER LIABILITIES	587,304	4,780,596
TOTAL LIABILITIES	3,658,300	6,995,014
NET ASSETS:		
Without Donor Restrictions	8,031,600	4,593,492
With Donor Restrictions	<u>1,471,584</u>	<u>1,438,337</u>
TOTAL NET ASSETS	<u>9,503,184</u>	<u>6,031,829</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,161,484</u>	<u>\$ 13,026,843</u>

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

SHARE OUR SELVES CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT:				
Patient Care Service Revenues (Net)	\$ 10,286,082	\$ -	\$ 10,286,082	\$ 9,673,535
Government Grants	4,305,870	-	4,305,870	4,123,300
Other Grants	1,445,139	300,000	1,745,139	1,901,308
Contributions	2,168,477	228,924	2,397,401	2,180,455
Contributed Goods and Services	1,244,380	-	1,244,380	1,625,564
Program Income (Loss) (Net of Direct Program Costs of \$104,854)	131,844	-	131,844	(9,495)
Special Events (Net of Direct Donor Benefits of \$65,542)	10,222	-	10,222	169,608
Loss from Uncollectible Pledges	-	(93,000)	(93,000)	-
Net Assets Released from Restrictions	442,628	(442,628)	-	-
TOTAL REVENUE AND SUPPORT	20,034,642	(6,704)	20,027,938	19,664,275
EXPENSES:				
Program Services	15,613,959	-	15,613,959	15,228,575
Management and General	2,418,638	-	2,418,638	2,144,392
Fundraising	874,421	-	874,421	954,289
TOTAL EXPENSES	18,907,018	-	18,907,018	18,327,256
OPERATING INCOME (LOSS)	1,127,624	(6,704)	1,120,920	1,337,019
OTHER INCOME:				
Paycheck Protection Program Loan Forgiveness	2,116,210	-	2,116,210	-
Investment Return (Net)	56,232	39,951	96,183	25,046
Other Income	138,042	-	138,042	102,224
TOTAL OTHER INCOME	2,310,484	39,951	2,350,435	127,270
CHANGE IN NET ASSETS	3,438,108	33,247	3,471,355	1,464,289
Net Assets - Beginning of Year	4,593,492	1,438,337	6,031,829	4,567,540
NET ASSETS - END OF YEAR	\$ 8,031,600	\$ 1,471,584	\$ 9,503,184	\$ 6,031,829

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, 2021
With Summarized Totals for the Year Ended June 30, 2020

	Program Services				Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
	Social Services	Medical	Dental	Behavioral					
Salaries	\$ 505,083	\$ 5,823,924	\$ 1,482,155	\$ 674,729	\$ 8,485,891	\$ 1,105,622	\$ 460,663	\$ 10,052,176	\$ 9,799,647
Payroll Taxes and Benefits	110,966	1,000,697	262,077	155,758	1,529,498	222,157	89,729	1,841,384	1,791,460
TOTAL PERSONNEL COSTS	616,049	6,824,621	1,744,232	830,487	10,015,389	1,327,779	550,392	11,893,560	11,591,107
Ancillary Medical	606	357,511	137,860	224	496,201	358	7	496,566	433,339
Contributed Goods and Services	998,801	217,758	-	-	1,216,559	3,000	-	1,219,559	1,625,564
Depreciation Expense	25,185	295,525	175,012	64,180	559,902	46,501	10,314	616,717	596,904
EHR Maintenance and Hosting	152	219,546	47,643	30,304	297,645	-	-	297,645	109,796
Insurance	16,671	46,794	10,181	5,298	78,944	50,427	1,668	131,039	110,419
Occupancy	74,476	573,021	145,476	52,877	845,850	86,351	189,623	1,121,824	1,063,257
Other Expenses	2,097	85,266	7,227	2,273	96,863	136,497	22,057	255,417	252,741
Outside Services	29,118	622,172	90,384	96,386	838,060	587,390	16,882	1,442,332	1,148,864
Postage and Delivery	707	1,787	176	87	2,757	1,387	5,059	9,203	16,373
Printing and Duplication	1,720	18,295	2,456	1,180	23,651	2,698	25,573	51,922	78,996
Property and Equipment	23,137	77,317	35,059	3,848	139,361	42,940	30,940	213,241	183,412
Relief and Aid	502,297	-	-	-	502,297	-	-	502,297	436,616
Security Expense	17,982	91,355	26,127	11,485	146,949	675	1,322	148,946	151,326
Staff Development	526	25,124	5,478	1,264	32,392	33,872	847	67,111	114,677
Supplies and Office Expense	10,602	45,232	11,328	4,537	71,699	37,860	1,426	110,985	129,511
Travel	8	1,171	105	68	1,352	1,593	-	2,945	16,611
Utilities	26,677	160,479	40,864	20,068	248,088	59,310	18,311	325,709	267,743
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 2,346,811</u>	<u>\$ 9,662,974</u>	<u>\$ 2,479,608</u>	<u>\$ 1,124,566</u>	<u>\$ 15,613,959</u>	<u>\$ 2,418,638</u>	<u>\$ 874,421</u>	<u>\$ 18,907,018</u>	
					83%	13%	4%	100%	
TOTAL 2020 FUNCTIONAL EXPENSES	<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%

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, 2021
With Summarized Totals for the Year Ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,471,355	\$ 1,464,289
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	616,717	596,904
Realized and Unrealized (Gains) Losses on Investments	(71,596)	3,460
Loss from Uncollectible Pledges	93,000	-
Paycheck Protection Program Loan Forgiveness	(2,116,210)	-
Contributions of Investment Securities	-	(100,000)
Contributions Restricted for Investment in Perpetuity	-	(125,000)
Loss on Disposal of Property and Equipment	-	10,368
(Increase) Decrease in:		
Patient Service Accounts Receivable (Net)	(174,640)	512,719
Estimated Amounts Due from/to Third-Party Payors	135,677	(678,204)
Grants Receivable	(985,964)	70,087
Contributions Receivable	70,000	(181,000)
Other Receivables	4,100	135,878
Prepaid Expenses and Other Current Assets	(55,454)	26,357
Deposits and Other Assets	39,993	58,447
Increase (Decrease) in:		
Accounts Payable	(229,412)	(231,954)
Accrued Expenses	(128,153)	182,989
Deferred Rent	(20,472)	(60,198)
NET CASH PROVIDED BY OPERATING ACTIVITIES	648,941	1,685,142
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(117,659)	(772,430)
Proceeds from Sale of Property and Equipment	-	1,600
Purchases of Investments	(521,924)	(199,210)
Sales of Investments	-	152,338
NET CASH USED IN INVESTING ACTIVITIES	(639,583)	(817,702)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Contributions Restricted for Investment in Perpetuity	-	125,000
Net Proceeds from (Payments on) Lines of Credit	(865,000)	37,342
Payments of Capital Lease Obligations	(39,187)	-
Proceeds from Paycheck Protection Program Loan	-	2,116,210
Proceeds from COVID-19 Economic Injury Disaster Loan	-	150,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(904,187)	2,428,552
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(894,829)	3,295,992
Cash and Cash Equivalents - Beginning of Year	3,769,180	473,188
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,874,351	\$ 3,769,180
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 41,733	\$ 60,663

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

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - ORGANIZATION

Share Our Selves Corporation (the Clinic) was founded in 1970 and incorporated in the State of California as a community-based 501(c)(3) nonprofit corporation. The Clinic 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. The Clinic provides comprehensive quality healthcare at several clinical sites located in Costa Mesa, Santa Ana, Lake Forest, and Newport Beach. In June 2012, the Clinic 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. The Clinic 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, 2021

NOTE 1 - ORGANIZATION (continued)

- 2012 - SOS receives nationally recognized 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 2020, the 51st Annual Adopt A Family event distributed thousands of Christmas toys, gifts and needed household items to 1,094 families (including 2,319 adults and 3,276 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 1,245 families in 2020 with the ingredients they needed to prepare this important holiday meal.
- SOS School Readiness Program - In 2020 SOS packed and distributed over 481 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, 2021

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.
- **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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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, 2021

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, 2021.

SOS maintains its cash and cash equivalents in bank deposit 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.

(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, using the net asset value per share of the investments.

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 SERVICES ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Patient services accounts receivable and other receivables reflect the outstanding amount of consideration to which SOS expects to be entitled in exchange for providing patient care or other services. Patient services accounts receivable are due from patients, third-party payors (including health insurers and government programs) and others. In evaluating the collectability of accounts receivable, SOS regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in accounts receivable.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) PATIENT SERVICES ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (continued)

For receivables associated with services provided to patients who have third-party coverage, SOS analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history of deductibles and copayments on accounts for which the third-party payor had not been paid, or for remaining payor balances.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), SOS records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill, for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in accounts receivable.

At June 30, 2021, all patient service accounts receivable and other receivables were deemed to be collectible, and no allowance for doubtful accounts was established.

(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 with a value that can be estimated 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 \$6,097,743, of which no amounts have been received in advance that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2021 and determined that no allowance for doubtful accounts was needed.

Contributions that impose restrictions that are met in the same fiscal year are reported as increases in net assets without donor restrictions. Expirations of donor restrictions in subsequent years are reported as "Net assets released from donor restrictions" in the consolidated statement of activities. SOS has adopted a similar policy for conditional contributions whereby revenue from conditional restricted contributions is reported in the net assets without donor restrictions when the conditions are met in the same period that the contribution is received and there are no further donor-imposed restrictions.

(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

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.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2021, 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 CARES 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. SOS 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, 2021, SOS received awards under the CARES Act totaling \$723,092, all of which were expended during the year ended June 30, 2021.

In addition, during the year ended June 30, 2021, as part of the American Rescue Plan Act (ARPA), SOS was awarded a federal grant for approximately \$3,600,000 for a budget period of April 2021 through March 2023, none of which was expended during the year ended June 30, 2021 and is conditional on incurring qualifying expenditures.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

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 PPP provisions of the CARES Act as a debt instrument 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 are recorded as a liability until either (1) the loan is, in part or wholly, forgiven or 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, 2021, SOS performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(m) PATIENT CARE SERVICE REVENUES (NET)

Patient care service revenue is recognized as SOS satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which SOS expects to be entitled in exchange for providing patient care. SOS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payors, discounts provided to uninsured patients in accordance with SOS' policies and implicit price concessions provided to uninsured patients.

SOS determines its estimates of explicit price concessions, which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. SOS determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) ELECTRONIC HEALTH RECORDS INCENTIVE PROGRAM

The American Recovery and Reinvestment Act of 2009 established the Electronic Health Records (EHR) Incentive Program for Medicaid and Medicare providers. The Program provides incentive payments to providers within the eligible health centers that demonstrate meaningful use of certified EHR technology. In April 2018, the Program was renamed to the Promoting Interoperability Program as part of the new phase of EHR measurement with an increased focus on interoperability and improving patient access to health information. Payments under the Program are based upon a statutory formula, as determined by the state, which is approved by CMS, and 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 revenue 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. During the year ended June 30, 2021, meaningful use incentive revenue totaling \$25,500 is included in patient care service revenues (net) in the consolidated statement of activities.

(o) UNCOMPENSATED CARE

SOS defines "uncompensated care" as services rendered for which the patient shall not be held liable. SOS is committed to providing quality health care for certain members of its community, including the poor and underserved who cannot afford health insurance, copays and deductibles. During the year ended June 30, 2021, SOS provided uncompensated care of approximately \$2,370,000 to its patients, which has been calculated as the difference between total health care costs less patient care service revenues (net).

(p) 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 \$1,026,622 and contributed laboratory and other services valued at \$217,758 during the year ended June 30, 2021.

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.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) FUNCTIONAL ALLOCATION OF EXPENSES

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

(r) 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SOS' consolidated financial statements for the year ended June 30, 2020 from which the summarized information was derived.

(s) RECLASSIFICATIONS

For comparability, certain June 30, 2020 amounts have been reclassified, where appropriate, to conform to the consolidated financial statement presentation used for the year ended June 30, 2021.

(t) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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. SOS adopted the ASU and the subsequent amendments during the year ended June 30, 2021.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) NEW ACCOUNTING PRONOUNCEMENTS (continued)

SOS applied ASC 606 using the modified-retrospective method of adoption to all contracts with customers not completed at July 1, 2020. Adoption of ASC 606 resulted in changes in presentation of the consolidated financial statements and related disclosures in the notes to the consolidated financial statements, but did not result in a significant change of the timing of revenue recognition.

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 provide additional information about the amounts recorded in the financial statements. For SOS, the ASU will be effective for the year ending June 30, 2023.

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) SUBSEQUENT EVENTS

SOS has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through December 13, 2021, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 3 - INVESTMENTS

At June 30, 2021, investments consist of the following:

Mutual Funds:	
Fixed Income	\$ 1,017,351
Equity	311,620
Private Investment Company	<u>198,089</u>
TOTAL INVESTMENTS	<u>\$ 1,527,060</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.

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, 2021.

The following table presents information about SOS' assets that are measured at fair value on a recurring basis at June 30, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using		
			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share or its Equivalent (NAV)
Mutual Funds:					
Fixed Income	\$ 1,017,351	\$ 1,017,351	\$ -	\$ -	\$ -
Equity	311,620	311,620	-	-	-
Private Investment Company	198,089	-	-	-	198,089
TOTAL INVESTMENTS	\$ 1,527,060	\$ 1,328,971	\$ -	\$ -	\$ 198,089

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

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.

The fair value of the investment in a private investment company was valued based on the value of membership units held at June 30, 2021, supported by communications from the investment fund manager and investment transactions during the year. 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, 2021.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

To Be Received in Less than One Year	\$	135,000
To Be Received in One to Five Years		140,000
TOTAL CONTRIBUTIONS RECEIVABLE	\$	275,000

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

	Social Services	Health Centers	Total
Land	\$ 333,000	\$ 567,000	\$ 900,000
Buildings	309,647	527,237	836,884
Buildings and Improvements	643,161	1,269,874	1,913,035
Leasehold Improvements	-	1,776,020	1,776,020
Vehicles	47,092	52,654	99,746
Medical and Dental Equipment	-	881,856	881,856
Computer Equipment	7,395	601,614	609,009
Computer Software	57,897	1,460,725	1,518,622
Office Equipment	17,530	271,831	289,361
Furniture and Fixtures	25,981	339,089	365,070
TOTAL	\$ 1,441,703	\$ 7,747,900	9,189,603
Less: Accumulated Depreciation			<u>(5,370,193)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)			<u>\$ 3,819,410</u>

Depreciation expense for the year ended June 30, 2021 was \$616,717.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 7 - 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, 2021, \$1,000,000 was drawn and outstanding on this line of credit, and unpaid accrued interest totaled \$153,405 at June 30, 2021.

In addition, SOS had a line of credit agreement with a local hospital. The agreement provided for advances up to \$900,000 for the benefit of the clinics located in Newport Beach, California. The line of credit matured in December 2021 was fully paid off during the year ended June 30, 2021.

Interest cost incurred under these lines of credit totaled \$75,000 during the year ended June 30, 2021.

NOTE 8 - 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 this capital lease, together with the present value of the net minimum lease payments, as of June 30, 2021:

Year Ending June 30:	
2022	\$ 39,555
2023	39,555
2024	39,555
2025	38,127
TOTAL MINIMUM LEASE PAYMENTS	156,792
Less: Amount Representing Interest	<u>(3,103)</u>
NET MINIMUM LEASE PAYMENTS	153,689
Less: Current Portion	<u>(38,205)</u>
CAPITAL LEASE OBLIGATION, NET OF CURRENT PORTION	\$ 115,484

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

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 SBA, bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the SBA. Interest accrued on the loan beginning with the initial disbursement; however, payments of principal and interest were deferred until the amount of forgiveness applied for by the borrower was approved by the SBA.

On June 14, 2021, SOS received forgiveness for the full amount of the PPP loan, together with accrued interest.

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, 2021 the total outstanding balance of the EIDL loan was \$150,000.

Future maturities of the EIDL loan as of June 30, 2021, are as follows:

Years Ending June 30

2022	\$	380
2023		3,623
2024		3,724
2025		3,827
2026		3,934
Thereafter		<u>134,512</u>
TOTAL	\$	<u>150,000</u>

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to Expenditure for Specific Purpose:	
Community Health Center	\$ 149,554
Social Services Programs	317,307
Subject to Passage of Time:	
Pledges Not Available until Due	250,000
Subject to Endowment Spending:	
Donor-Restricted Endowment Corpus	576,710
Accumulated Endowment Earnings	<u>178,013</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,471,584</u>

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, 2021:

Satisfaction of Purpose Restrictions:	
Community Health Center	\$ 271,280
Social Services Programs	101,348
Satisfaction of Time Restrictions	<u>70,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 442,628</u>

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, 2021

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, 2021, there were no deficiencies in the endowment funds.

Endowment Net Asset Composition by Type of Fund at June 30, 2021	<u>With Donor Restrictions</u>
Donor-Restricted	<u>\$ 754,723</u>
Changes in Endowment Net Assets for the Year Ended June 30, 2021	
Endowment Net Assets - Beginning of Year	\$ 714,772
Investment Return (Net)	39,951
Board Releases per Spending Policy	<u>-</u>
ENDOWMENT NET ASSETS - END OF YEAR	<u>\$ 754,723</u>

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

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, 2021 were \$160,423.

NOTE 14 - PATIENT CARE SERVICE REVENUES

Patient care service revenues are reported at the amount that reflects the consideration to which SOS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, SOS bills the patients and third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied.

(a) PERFORMANCE OBLIGATIONS

Performance obligations are determined based on the nature of the services provided by SOS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. SOS believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to medical, dental, visual and behavioral health services provided at SOS' sites. SOS measures the performance obligation from the commencement of a visit, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the visit.

Revenue for performance obligations satisfied at a point in time relates to sales of pharmaceuticals through contracted pharmacies and is generally recognized when pharmaceuticals are provided to patients and customers in a retail setting, and SOS does not believe it is required to provide additional goods or services related to that sale.

(b) TRANSACTION PRICE

SOS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with SOS' policy, or implicit price concessions provided to uninsured patients. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. SOS determines its estimate of implicit price concessions based on its historical collection experience with uninsured patients.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 14 - PATIENT CARE SERVICE REVENUES (continued)

(b) TRANSACTION PRICE (continued)

In relation to the sales of pharmaceuticals, SOS participates in the 340B Drug Pricing Program (340B Program) which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Drug Pricing Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to the consolidated financial statement amounts related to the 340B Program could occur in the near term.

(c) THIRD-PARTY PAYORS

SOS is approved as an FQHC for both Medicare and Medi-Cal reimbursement purposes. Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medi-Cal.** Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. SOS is reimbursed at a negotiated all-inclusive encounter rate, for each clinic site, for all services provided under the program per occasion of service. SOS also participates in the Medi-Cal managed care program, pursuant to the terms of which SOS is paid at a negotiated fixed fee on a per-member-per-month basis and is entitled to additional reimbursements through a per claim wrap around rate and a reconciliation of the differences between the total of the capitation, third-party reimbursement and wrap around payments, and its all-inclusive Medi-Cal rate per visit paid by the State. The final reconciliation settlement is determined by the California Department of Health Care Services after submission of annual reconciliation reports and audits thereof by the State Financial Audits Branch. The Clinic's Medi-Cal Managed Care reconciliation reports have been audited and finalized through fiscal year 2016.
- **Medicare.** Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Clinic's actual charge or the applicable PPS rate.
- **Other.** Payment agreements with certain commercial insurance carriers, health maintenance and managed care organizations, and preferred provider organizations provide for payment using prospectively determined rates per unit of service, discounts from established charges, as well as capitation payments.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 14 - PATIENT CARE SERVICE REVENUES (continued)

(c) THIRD-PARTY PAYORS (continued)

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. 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 upon SOS. In addition, the contracts SOS has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and SOS' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

There is no significant financing component related to third-party settlements because it is not a result of the provision of a financing arrangement with a government payor. In addition, the timing of payment is at discretion of the payor and does not involve the patient.

During the year ended June 30, 2021, SOS received retrospective approval of the final PPS rates for two of its sites and increased the estimated amounts due from third-party payors by \$243,203 based on such final rates.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 14 - PATIENT CARE SERVICE REVENUES (continued)

(c) THIRD-PARTY PAYORS (continued)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), SOS also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. SOS estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with SOS' mission, care is provided to patients regardless of their ability to pay. Therefore, SOS has determined it has provided implicit price concessions to uninsured patients and other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts SOS expects to collect based on its collection history with those patients.

(d) REVENUE COMPOSITION

SOS has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medi-Cal, managed care or other insurance, patients) have different reimbursement and payment methodologies.
- Nature of the patient's services (for example, medical, dental, visual, behavioral health, etc.)
- Method of reimbursement (fee for service or capitation)

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the year ended June 30, 2021:

Performance Obligations Satisfied over Time	\$ 10,101,520
Performance Obligations Satisfied at a Point in Time	<u>184,562</u>
TOTAL PATIENT CARE SERVICE REVENUE	<u>\$ 10,286,082</u>

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 15 - 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

2022	\$	767,184
2023		680,861
2024		651,837
2025		330,264
2026		243,432
Thereafter		<u>120,024</u>
TOTAL	\$	<u>2,793,602</u>

Rent expense under operating leases for the year ended June 30, 2021 was \$938,406.

(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.

SHARE OUR SELVES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2021

NOTE 15 - COMMITMENTS AND CONTINGENCIES (continued)

(c) MEDICAL MALPRACTICE CLAIMS (continued)

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 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total consolidated financial assets held by SOS at June 30, 2021 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, 2021:	
Cash and Cash Equivalents	\$ 2,874,351
Investments	132,387
Patient Service Accounts Receivable	859,803
Estimated Amounts Due from	
Third-Party Payors	151,884
Grants Receivable	1,078,377
Other Receivables	6,400
	<hr/>
CONSOLIDATED FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 5,103,202
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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.

SHARE OUR SELVES CORPORATION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

SHARE OUR SELVES CORPORATION

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

FEDERAL AWARDS Agency - Program Grant Title	Federal Assistance Listing Number	Contract Number	Grant Period	Program Expenditures from Governmental Revenue
MAJOR AWARDS				
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Health Center Programs	93.224	H80CS24199	June 1, 2020 - May 31, 2021	\$ 2,857,096
Health Center Programs	93.224	H80CS24199	June 1, 2021 - May 31, 2022	196,636
COVID-19 - FY2020 Expanding Capacity for Coronavirus Testing (ECT)	93.224	H8ECS38332	May 1, 2020 - April 30, 2021	<u>326,944</u>
Total 93.224, Health Center Cluster				<u>3,380,676</u>
TOTAL MAJOR AWARDS				<u>3,380,676</u>
NON-MAJOR AWARDS				
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services Administration				
SOS Mission - Maintaining Independence and Sobriety Through System Integration, Outreach and Networking	93.243	1H79TI080472-01	Nov 30, 2020 - Nov 29, 2021	274,851
U.S. Department of Health and Human Services				
Office of Population Affairs				
Pass-through from The Obrria Group, Inc. Title X Family Planning Services	93.217	PA-FPH-19-001	April 1, 2020 - Mar 31, 2021	112,587
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
COVID-19 - Provider Relief Fund	93.498		Jan 1, 2020 - June 30, 2021	2,565
U.S. Department of Homeland Security				
Pass-through from the Orange County				
Emergency Food and Shelter Program Board Emergency Food and Shelter Program Phase 37 and 38 Funds	97.024	078600-025	July 1, 2020 - June 30, 2021	161,608
U.S. Department of Treasury				
Pass-through from the Orange County Health Care Agency				
COVID-19 - Coronavirus Relief Fund	21.019	MA 042-20010234	April 1, 2020 - Dec 31, 2020	<u>158,392</u>
TOTAL NON-MAJOR AWARDS				<u>710,003</u>
TOTAL FEDERAL AWARDS				<u>\$ 4,090,679</u>

See Independent Auditor's Report

SHARE OUR SELVES CORPORATION

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

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, 2021. 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 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.
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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