

SHARE OUR SELVES CORPORATION
Consolidated Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Reports

Share Our Selves Corporation
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June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Share Our Selves Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Share Our Selves Corporation (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022, and the consolidated related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

The consolidated financial statements of the Organization's as of and for the year ended June 30, 2021, were audited by other auditors whose report dated December 13, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Organization's 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 solely 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 the effectiveness of 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 Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive style.

January 17, 2023

Share Our Selves Corporation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,453,433	\$ 2,874,351
Investments	1,558,176	1,527,060
Patient services receivable	786,706	1,819,803
Current portion of due from third-party reimbursement programs	-	151,884
Grants receivable	648,432	118,377
Unconditional promises to give, net	70,000	135,000
Other receivables	201,841	6,400
Prepaid expenses and other current assets	<u>380,280</u>	<u>201,917</u>
Total current assets	<u>11,098,868</u>	<u>6,834,792</u>
Other assets		
Due from third-party reimbursement programs, net of current portion	235,481	2,010,724
Unconditional promises to give, net long term	75,000	140,000
Property and equipment, net	3,421,102	3,819,410
Deposits and other assets	<u>266,294</u>	<u>356,558</u>
Total other assets	<u>3,997,877</u>	<u>6,326,692</u>
Total assets	<u>\$ 15,096,745</u>	<u>\$ 13,161,484</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 928,555	\$ 309,609
Accrued expenses and other current liabilities	876,155	809,243
Line of credit	-	1,153,405
Current portion of capital lease obligation	-	38,205
Current portion of due to third-party reimbursement programs	<u>620,546</u>	<u>735,334</u>
Total current liabilities	<u>2,425,256</u>	<u>3,045,796</u>
Other liabilities		
COVID-19 Economic injury disaster loan	-	150,000
Capital lease obligation, net of current portion	-	115,484
Deferred revenue	889,285	25,200
Deferred rent	<u>240,454</u>	<u>321,820</u>
Total other liabilities	<u>1,129,739</u>	<u>612,504</u>
Total liabilities	<u>3,554,995</u>	<u>3,658,300</u>
Net assets		
Without donor restrictions	9,454,279	8,031,600
With donor restrictions	<u>2,087,471</u>	<u>1,471,584</u>
Total net assets	<u>11,541,750</u>	<u>9,503,184</u>
Total liabilities and net assets	<u>\$ 15,096,745</u>	<u>\$ 13,161,484</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Share Our Selves Corporation
Consolidated Statements of Activities
Year Ended June 30, 2022
With Summarized Comparative Information as of June 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support				
Patient service revenue - net	\$ 10,254,388	\$ -	\$ 10,254,388	\$ 8,174,712
Capitation	2,326,536	-	2,326,536	2,111,370
Government grants	4,992,356	-	4,992,356	4,305,870
Other grants	739,964	822,540	1,562,504	1,745,139
Contributions	1,894,109	189,483	2,083,592	2,397,401
In kind contributions	1,785,977	-	1,785,977	1,244,380
Program income (loss), net	(125,745)	-	(125,745)	131,844
Special events, net	187,945	-	187,945	10,222
Loss from uncollectible pledges	-	-	-	(93,000)
Net assets released from restrictions	396,136	(396,136)	-	-
Total revenue and support	<u>22,451,666</u>	<u>615,887</u>	<u>23,067,553</u>	<u>20,027,938</u>
Expenses				
Program services	17,296,933	-	17,296,933	15,613,959
Management and general	3,019,041	-	3,019,041	2,418,638
Fundraising	630,037	-	630,037	874,421
Total expenses	<u>20,946,011</u>	<u>-</u>	<u>20,946,011</u>	<u>18,907,018</u>
Operating income	<u>1,505,655</u>	<u>615,887</u>	<u>2,121,542</u>	<u>1,120,920</u>
Other income (loss)				
Paycheck Protection Program loan forgiveness	-	-	-	2,116,210
Investment income (loss), net	(100,681)	-	(100,681)	96,183
Other income	17,705	-	17,705	138,042
Total other income (loss)	<u>(82,976)</u>	<u>-</u>	<u>(82,976)</u>	<u>2,350,435</u>
Change in net assets	1,422,679	615,887	2,038,566	3,471,355
Net assets				
Beginning of Year	<u>8,031,600</u>	<u>1,471,584</u>	<u>9,503,184</u>	<u>6,031,829</u>
End of Year	<u>\$ 9,454,279</u>	<u>\$ 2,087,471</u>	<u>\$ 11,541,750</u>	<u>\$ 9,503,184</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Share Our Selves Corporation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>
	<u>Health Centers</u>							
	<u>Social Services</u>	<u>Medical</u>	<u>Dental</u>	<u>Behavioral</u>				
Salaries and wages	\$ 704,650	\$ 6,300,682	\$ 1,545,327	\$ 493,235	\$ 9,043,894	\$ 1,426,087	\$ 366,842	\$ 10,836,823
Payroll taxes and benefits	124,038	1,094,396	270,668	81,575	1,570,677	265,396	65,549	1,901,622
Total salaries and benefits	828,688	7,395,078	1,815,995	574,810	10,614,571	1,691,483	432,391	12,738,445
Ancillary medical	460	418,771	159,562	95	578,888	2,431	18	581,337
Contributed goods and services	1,330,428	463,524	-	-	1,793,952	2,800	-	1,796,752
Depreciation expense	34,585	404,858	198,644	53,377	691,464	80,617	7,826	779,907
Direct costs of donor benefits	-	-	-	-	-	-	103,067	103,067
EHR maintenance and hosting	-	251,259	50,297	24,906	326,462	-	-	326,462
Insurance	16,420	53,855	9,347	4,648	84,270	51,080	1,495	136,845
Occupancy	104,781	571,397	132,850	37,846	846,874	97,143	80,297	1,024,314
Other expenses	4,909	40,398	8,277	1,147	54,731	180,728	18,254	253,713
Outside services/consultants	87,977	700,208	95,914	99,912	984,011	654,747	8,486	1,647,244
Postage and delivery	633	3,618	563	288	5,102	2,069	869	8,040
Printing and duplication	4,240	20,674	2,388	1,172	28,474	2,484	38,923	69,881
Property and equipment	24,457	81,870	44,703	4,357	155,387	70,580	26,759	252,726
Relief and aid	500,842	85	-	-	500,927	-	-	500,927
Security services	26,844	137,896	29,611	16,722	211,073	867	471	212,411
Staff development	3,869	23,913	3,374	22,571	53,727	39,071	2,138	94,936
Supplies and office expense	11,994	44,875	11,936	5,061	73,866	38,990	1,510	114,366
Travel	3,788	8,737	295	2,137	14,957	12,964	126	28,047
Utilities	30,635	186,183	39,014	22,365	278,197	90,987	10,474	379,658
	<u>3,015,550</u>	<u>10,807,199</u>	<u>2,602,770</u>	<u>871,414</u>	<u>17,296,933</u>	<u>3,019,041</u>	<u>733,104</u>	<u>21,049,078</u>
Less: Expenses included with revenues on the consolidated statement of activities								
Direct cost of donor benefits	-	-	-	-	-	-	(103,067)	(103,067)
	<u>\$ 3,015,550</u>	<u>\$ 10,807,199</u>	<u>\$ 2,602,770</u>	<u>\$ 871,414</u>	<u>\$ 17,296,933</u>	<u>\$ 3,019,041</u>	<u>\$ 630,037</u>	<u>\$ 20,946,011</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Share Our Selves Corporation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services							
	Social Services	Health Centers			Management Program Services	Management and General	Fundraising	2021 Total
		Medical	Dental	Behavioral				
Salaries and wages	\$ 505,083	\$ 5,823,924	\$ 1,482,155	\$ 674,729	\$ 8,485,891	\$ 1,105,622	\$ 460,663	\$ 10,052,176
Payroll taxes and benefits	110,966	1,000,697	262,077	155,758	1,529,498	222,157	89,729	1,841,384
Total salaries and benefits	616,049	6,824,621	1,744,232	830,487	10,015,389	1,327,779	550,392	11,893,560
Ancillary medical	606	357,511	137,860	224	496,201	358	7	496,566
Contributed goods and services	998,801	217,758	-	-	1,216,559	3,000	-	1,219,559
Depreciation expense	25,185	295,525	175,012	64,180	559,902	46,501	10,314	616,717
HER maintenance and hosting	152	219,546	47,643	30,304	297,645	-	-	297,645
Insurance	16,671	46,794	10,181	5,298	78,944	50,427	1,668	131,039
Occupancy	74,476	573,021	145,476	52,877	845,850	86,351	189,623	1,121,824
Other expenses	2,097	85,266	7,227	2,273	96,863	136,497	22,057	255,417
Outside services/consultants	29,118	622,172	90,384	96,386	838,060	587,390	16,882	1,442,332
Postage and delivery	707	1,787	176	87	2,757	1,387	5,059	9,203
Printing and duplication	1,720	18,295	2,456	1,180	23,651	2,698	25,573	51,922
Property and equipment	23,137	77,317	35,059	3,848	139,361	42,940	30,940	213,241
Relief and aid	502,297	-	-	-	502,297	-	-	502,297
Security services	17,982	91,355	26,127	11,485	146,949	675	1,322	148,946
Staff development	526	25,124	5,478	1,264	32,392	33,872	847	67,111
Supplies and office expense	10,602	45,232	11,328	4,537	71,699	37,860	1,426	110,985
Travel	8	1,171	105	68	1,352	1,593	-	2,945
Utilities	26,677	160,479	40,864	20,068	248,088	59,310	18,311	325,709
	<u>1,730,762</u>	<u>2,838,353</u>	<u>735,376</u>	<u>294,079</u>	<u>5,598,570</u>	<u>1,090,859</u>	<u>324,029</u>	<u>7,013,458</u>
	<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>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Share Our Selves Corporation
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ 2,038,566	\$ 3,471,355
Adjustments to reconcile change in net assets to net cash and cash provided by operating activities		
Depreciation	779,907	616,717
Realized and unrealized losses (gains) on investments	121,742	(71,596)
Loss from uncollectible pledges	-	93,000
Paycheck Protection Program loan forgiveness	-	(2,116,210)
(Increase) decrease in assets		
Patient services receivable	1,033,097	(174,640)
Due from/to third-party reimbursement programs	1,812,339	135,677
Grants receivable	(530,055)	(985,964)
Unconditional promises to give	130,000	70,000
Other receivables	(195,441)	4,100
Prepaid expenses and other current assets	(178,363)	(55,454)
Deposits and other assets	90,264	39,993
Increase (decrease) in liabilities		
Accounts payable	618,946	(229,412)
Accrued expenses and other current liabilities	66,912	(128,153)
Deferred revenue	864,085	-
Deferred rent	(81,366)	(20,472)
Net cash provided by operating activities	<u>6,570,633</u>	<u>648,941</u>
Investing activities		
Purchases of property and equipment	(381,599)	(117,659)
Purchases of investments	<u>(152,858)</u>	<u>(521,924)</u>
Net cash used in investing activities	<u>(534,457)</u>	<u>(639,583)</u>
Financing activities		
Net payments on line of credit	(1,153,405)	(865,000)
Payments of capital lease obligations	(153,689)	(39,187)
Payments on COVID-19 Economic Injury Disaster Loan	<u>(150,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,457,094)</u>	<u>(904,187)</u>
Net change in cash and cash equivalents	4,579,082	(894,829)
Cash and cash equivalents		
Beginning of year	<u>2,874,351</u>	<u>3,769,180</u>
End of year	<u>\$ 7,453,433</u>	<u>\$ 2,874,351</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 46,811</u>	<u>\$ 41,733</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Share Our Selves Corporation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. ORGANIZATION AND PURPOSE

Nature of Operations

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, Mission Viejo, 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 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”).

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 52 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 person’s 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 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 2021, the 52nd Annual Adopt A Family event distributed thousands of Christmas toys, gifts and needed household items to 1,051 families and 5,484 individuals, 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 1,367 turkey dinners served to 4,800 individuals in 2021.
- SOS School Readiness Program - In 2021 SOS packed and distributed over 1,200 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, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

SOS follows accounting standards contained in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The ASC is the single source of authoritative accounting principles generally accepted in the United States (“GAAP”) to be applied to nongovernmental entities.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. According to GAAP, SOS is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. Net assets of SOS and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

Net assets with donor restrictions: Net assets that are subject to donor-imposed stipulations. These stipulations either require SOS to maintain the net asset permanently, generally permitting all or part of the income earned on related investments for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

SOS considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Receivables

Patient Services Receivable and Credit Policy

Patient services receivable are uncollateralized patient obligations and are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from patients, most of whom are insured under third-party payor agreements. SOS bills third-party payors on the patient's behalf, or if a patient is uninsured, the patient is billed directly, less any applicable sliding fee discount. Once claims are settled with the primary payor, any secondary insurance is billed, and the patient is billed for copayment and deductible amounts that are the patient's responsibility. Payments on patient services receivable are applied to the specific claim identified on the remittance advice or statement. SOS does not have a policy to charge interest on past due accounts.

Patient services receivable are recorded in the accompanying consolidated statements of financial position net of contractual adjustments and allowances for doubtful accounts, which reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient services receivable. At June 30, 2022 and 2021, all patient service accounts receivable and other receivables were deemed to be collectible, and no allowance for doubtful accounts was established.

Share Our Selves Corporation
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Grants Receivable

Grants receivable include amounts earned under contracts with various granting agencies and private and government contracts of which funds have not yet been received. Grants receivable are deemed to be fully collectible, and therefore, there is no allowance for doubtful accounts at June 30, 2022 and 2021.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repair costs 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. Gains or losses on disposition of property and equipment are reflected in change in net assets. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Buildings	30
Building improvements	15
Leasehold improvements	10
Vehicles	10
Medical and dental equipment	3-10
Computer equipment	5
Computer software	5-10
Office equipment	5
Furniture and fixtures	10

Impairment of Long-Lived Assets

SOS evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, intangible assets with finite lives, and goodwill, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. In the event that facts and circumstances indicate the carrying value of any long-lived assets may be impaired, an evaluation of the recoverability would be performed. If the sum of the expected cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. During the years ended June 30, 2022 and 2021, no impairment losses were recorded.

Revenue Recognition

SOS derives revenue from outpatient services provided to patients. SOS reports revenue from patient services 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, governmental programs (Medicare and Medicaid) and private insurers and include variable consideration for retrospective revenue adjustments due to settlements of audits, reviews, and investigations. Generally, SOS bills the patient and the third-party payors shortly after the services are performed. Revenue for performance obligations are satisfied at a point in time when the goods and services are provided and when SOS does not believe that it is required to provide additional goods, services, or obligations to the patient. SOS' ability to collect revenue is affected by a variety of factors, including general economic conditions and each third-party payor's and patient's financial capability.

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SOS determines the transaction price based on standard billing rates for goods and services provided, reduced by contractual adjustments provided to third-party payor, discounts provided to uninsured patients, and patient responsibility in accordance with SOS' policy, and/or implicit price concessions provided to uninsured patients and patient responsibility after insurance. SOS determines its estimates of contractual adjustments based on contractual agreements, its discount policies, and its historical experience. SOS determines its estimate of implicit price concessions based on its historical collection experience for each applicable patient portfolio.

Agreements with third-party payors typically provide for payments at less than standard billing rates. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - Outpatient services are paid using prospectively determined rates according to payment classifications and for some services, fee schedules. Physician services are paid based upon the Medicare Physician Fee Schedule.
- Medi-Cal - Outpatient services are paid based on a prospective reimbursement methodology. SOS is reimbursed at negotiated rates, for each clinic site, for all services provided.
- Private insurers - Payment agreements with third-party payors generally provide for payment using prospectively determined rates, discounts from standard billing rates, and prospectively determined daily rates.

Additionally, patients who are covered by third-party payors are responsible for related co-pays and deductibles which vary in amount. SOS also provides services to uninsured patients and offers those uninsured patients a discount from SOS' standard billing rates. SOS estimates the transaction price for patients with co-pays and deductibles and for uninsured patients based on historical collection experience and current market conditions. The initial estimate of the transaction price is determined by reducing SOS's standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price, if any, are generally recorded as an adjustment to revenue in the period of the change.

Contractual adjustments, or differences in standard billing rates and the payments derived from contractual terms with governmental and private insurers, are recorded based on management's best estimates in the period in which services are performed and a payment methodology is established with the patient. Recorded estimates for past contractual adjustments are subject to change, in large part, due to ongoing contract negotiations and regulation changes, which are typical in the U.S. healthcare industry. Revisions to estimates are recorded as contractual adjustments in the periods in which they become known and may be subject to further revisions. Subsequent changes in estimates for third-party payors that are determined to be the result of an adverse change in a payor's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2022 and 2021 was not significant.

Laws and regulations governing Medicare and Medi-Cal programs are complex and subject to interpretation as well as significant regulatory action in the normal course of business, SOS is subject to contractual reviews and audits. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. In addition, SOS' contracts with private insurers may provide for a retroactive audit or review of claims. SOS believes that it is in compliance with applicable laws and regulations governing the Medicare and Medi-Cal programs and that adequate provisions have been made for any adjustments that may result from final settlements from governmental agencies and private insurers.

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Retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements, if applicable, are estimated and accrued based on settlement agreements and historical settlement experience in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. No adjustment has been recorded as SOS does not expect there to be any retrospective adjustments for services performed prior to June 30, 2022.

The summary of patient services by revenue by payor source consisted of the following for the years ended June 30:

	2022		2021	
	Amount	% of Total	Amount	% of Total
Medi-Cal	\$ 8,036,521	78%	\$ 6,527,776	80%
Medicare	72,061	1%	71,834	1%
Private	-	-	210	0%
Self-pay	410,797	4%	392,632	5%
Miscellaneous	1,735,009	17%	1,182,260	14%
Total patient services revenue	<u>\$ 10,254,388</u>	<u>100%</u>	<u>\$ 8,174,712</u>	<u>100%</u>

In addition to patient service revenue as described above, the following describes SOS' other substantial revenue streams and revenue recognition policies:

Capitation

Capitation revenue is recognized on a per-member, per-month ("PMPM") basis in the periods that beneficiaries are entitled to healthcare services, subject to retroactive adjustment based on retroactive changes in assigned beneficiaries.

Grant and Contract Revenue

Grants and similar contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award or contract.

Grant awards that are contributions - Grant awards that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are included in deferred revenue in the accompanying consolidated statements of financial position.

Grant awards that are exchange transactions - Grant awards and contracts that are exchange transactions are typically reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received prior to services being performed are reported as deferred revenue in the accompanying consolidated statements of financial position.

Contributed Services and Gifts In-Kind

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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SOS adopted the requirements of the new guidance as of July 1, 2021, utilizing the modified retrospective method of transition. No adjustments to consolidated net assets as of July 1, 2021 were necessary. SOS applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to contributed nonfinancial assets that were contributed as of July 1, 2021. Adoption of the new guidance does not have a significant impact on SOS' consolidated financial position, results of operations or cash flows.

Donated materials and other nonfinancial contributions are reflected in the accompanying consolidated financial statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the consolidated financial statements as there is no objective basis of deriving their value.

SOS received donations of various non-cash items of \$1,785,977 and \$1,244,380 for the years ended June 30, 2022 and 2021, respectively, which consisted of goods, supplies, and laboratory and other services. 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.

Compensated Absences

SOS accrues for employees' earned but unused time off.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. SOS uses full-time equivalent employees to allocate all expenses.

Income Taxes

SOS is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(c)(3) and Section 23701(d) of the Code. SOS is also exempt from state income taxes on related income.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by SOS in its tax returns. SOS' status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by SOS in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that SOS has any material uncertain tax positions as of June 30, 2022, or 2021.

In the event interest and penalties are due relating to an unsustainable tax position, they would be treated as a component of income tax expense. During the years ended June 30, 2022 and 2021, there were no interest or penalties relating to unsustainable tax positions that were recognized in these consolidated financial statements.

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Significant New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to use of an asset and its related liability or obligation when there is a contract in place, which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have terms greater than one year are to be recorded on the statement of financial position, whereas in the past these leases have been recorded as either capital leases on the statement of financial position or as operating leases, which were not recorded on the statement of financial position. This ASU is effective for SOS' year ending June 30, 2023.

Reclassifications

The consolidated financial statements for the year ended June 30, 2021, contain certain reclassifications, which have no effect on changes in net assets, to conform to current period presentation for the year ended June 30, 2022.

Subsequent Events

SOS' management has evaluated subsequent events through January 17, 2023, the date which the consolidated financial statements were available to be issued. Management has determined no subsequent events occurred which require adjustment to or disclosure in the consolidated financial statements.

3. REIMBURSEMENT ARRANGEMENTS WITH THIRD-PARTY PAYORS

Agreements are maintained with third-party payors that provide for reimbursement at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - SOS qualifies for the Medicare FQHC program and is reimbursed using a prospectively based payment system ("PPS") under which FQHCs are paid 80% of the lesser of charges based on FQHC payment codes or the PPS rate, a national encounter-based rate with geographic and other adjustments. The FQHC PPS base rate is updated annually based on a FQHC market basket index. SOS contracts with Medicare managed care plans that provide for reimbursement at rates that are typically less than the Medicare PPS per encounter rate. Federal law requires the Medicare Administrative Contractor ("MAC") to reimburse SOS with supplementary payments (also referred to as a "wraparound" or a "519 rate") for the difference between the payments received from the Medicare managed care plans and the Medicare PPS rate. In order to obtain the supplementary payments, SOS must apply for a supplementary rate for each contracted Medicare managed care plan. SOS has been notified by Medicare that its proposed rates have been accepted for the year ended June 30, 2022.
- Medi-Cal - Federal law requires the State of California to pay FQHC services (on a per-encounter basis) under a PPS or alternative payment methodology. Medi-Cal reimburses clinics under a PPS methodology that is increased annually by the change in the Medicare Economic Index ("MEI"), adjusted for any change in scope of services.
- Other payors - SOS has entered into payment agreements with commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per visits, discounts from established charges, and fee schedules.

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Accounting for Medi-Cal Contractual Arrangements

Under State of California Department of Health Care Services (“DHCS”) Medi-Cal Code 18, FQHCs are reimbursed on an interim basis for certain visits insured under Medi-Cal managed care plans. An annual reconciliation is required for Medi-Cal taking into account total visits, the final PPS rate, and interim payments received. Reconciliations for the years ended June 30, 2018 through 2021, remain open to adjudication and final audit by DHCS. SOS has recorded estimated payables in long-term liabilities as due to third-party reimbursement programs in the accompanying consolidated statements of financial position.

Due to (from) third party reimbursement programs consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Estimated receivables from DHCS	\$ 431,806	\$ 2,162,607
Estimated payables to DHCS	<u>(816,871)</u>	<u>(735,333)</u>
Due (to) from third-party reimbursement programs	<u>\$ (385,065)</u>	<u>\$ 1,427,274</u>

Estimated receivables from DHCS as of June 30, 2021 consisted mostly of rate setting adjustments.

Laws and Compliance

Laws and regulations concerning government programs, including Medicare and Medi-Cal, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various healthcare 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.

4. INVESTMENTS RECORDED AT FAIR VALUE MEASUREMENTS

The carrying value of financial instruments in the consolidated financial statements approximates fair value.

For fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the consolidated financial statements on a recurring basis, SOS has adopted US GAAP standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

US GAAP establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. SOS' Level 1 assets include mutual funds, money market funds and private investment company.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. SOS has no Level 2 assets.

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Level 3 - Fair values are calculated using pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. SOS has no Level 3 assets.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result for offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The following tables set forth by level, within the fair value hierarchy, the SOS' assets at fair value as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 1,357,087	\$ -	\$ -	\$ 1,357,087
Money market funds	3,000	-	-	3,000
Private investment company*	-	-	-	198,089
	<u>\$ 1,360,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558,176</u>
	2021			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 1,328,971	\$ -	\$ -	\$ 1,328,971
Private investment company*	-	-	-	198,089
	<u>\$ 1,328,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,527,060</u>

*In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following table sets forth additional disclosures of SOS investments whose fair value is estimated using net asset value as of June 30, 2022:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Private investment company	\$ 198,089	\$ -	Immediate	None

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5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. A discount to present value has not been recorded for future collection of the pledges as management does not believe the amount to be material. Management believes that all pledges are fully collectible.

Included in unconditional promises to give as of June 30 are the following unconditional promises to give:

	<u>2022</u>	<u>2021</u>
Amounts due in		
Less than one year	\$ 70,000	\$ 135,000
One to five years	<u>75,000</u>	<u>140,000</u>
Total unconditional promises to give	<u>\$ 145,000</u>	<u>\$ 275,000</u>

6. LIQUIDITY AND AVAILABILITY

The following represents SOS' financial assets available for general expenditure at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 7,453,433	\$ 2,874,351
Investments	1,558,176	1,527,060
Patient services receivable	786,706	1,819,803
Estimated amounts due from third-party payors	-	151,884
Grants receivable	648,432	118,377
Other receivables	<u>201,841</u>	<u>6,400</u>
Total financial assets	<u>10,648,588</u>	<u>6,497,875</u>
Less: Financial assets not available for general expenditure within one year		
Investments held in perpetuity	(749,526)	(576,710)
Unconditional promises to give, due after one year, net	<u>(75,000)</u>	<u>(140,000)</u>
Financial assets not available to be used within one year	<u>(824,526)</u>	<u>(716,710)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,824,062</u>	<u>\$ 5,781,165</u>

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' 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.

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7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 900,000	\$ 900,000
Buildings	836,884	836,884
Buildings improvements	1,902,729	1,913,035
Leasehold improvements	1,760,759	1,776,020
Vehicles	99,746	99,746
Medical and dental equipment	757,495	881,856
Computer equipment	347,773	609,009
Computer software	1,545,485	1,518,621
Office equipment	227,457	289,361
Furniture and fixtures	324,963	365,071
Construction in progress	<u>123,922</u>	<u>-</u>
	8,827,213	9,189,603
Less: Accumulated depreciation	<u>(5,406,111)</u>	<u>(5,370,193)</u>
	<u>\$ 3,421,102</u>	<u>\$ 3,819,410</u>

Depreciation expense totaled \$779,907 and \$616,717 for years ended June 30, 2022 and 2021, respectively.

Construction in progress as of June 30, 2022 consists of a renovation project, which is being financed with operating funds. Additionally, SOS is in the process of renovating certain clinics. Funds for such renovations have been generated from operating cash flows, or grants that encourage renovations of FQHCs.

8. LINE OF CREDIT

SOS has available a line of credit with a local healthcare system for \$1,000,000. Borrowings under the line of credit bear interest at 3.50%. All borrowings are collateralized by substantially all assets of SOS. SOS fully paid off the line of credit, including unpaid interest, in November 2021 and there was no outstanding balance at June 30, 2022.

9. CAPITAL LEASE OBLIGATION

SOS had financed a portion of the EPIC software via a capital lease obligation. The capital lease was secured by the asset under the lease. The lease agreement provided for monthly principal and interest payments through June 2025. The total capital lease obligation as of June 30, 2021 was \$153,689 and was paid in full during the year ended June 30, 2022.

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 carried a fixed interest rate of 2.75%. Interest accrued on the loan beginning with the initial disbursement; and monthly payments of principal and interest were due starting one year from the date of the initial disbursement through May 18, 2050. As of June 30, 2021 the total outstanding balance of the EIDL was \$150,000 and the loan was paid in full during the year ended June 30, 2022.

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose		
Community health center programs	\$ 724,167	\$ 149,554
Social services programs	400,714	317,307
Subject to passage of time		
Unconditional promises to give	120,000	250,000
Subject to endowment spending		
Donor-restricted endowment corpus	749,526	576,710
Accumulated endowment earnings	<u>93,064</u>	<u>178,013</u>
	<u>\$ 2,087,471</u>	<u>\$ 1,471,584</u>

Net assets with donor restrictions were released from restriction for the following purposes or periods at June 30:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Community health center programs	\$ 124,554	\$ 271,280
Social services programs	141,582	101,348
Passage of time	<u>130,000</u>	<u>70,000</u>
	<u>\$ 396,136</u>	<u>\$ 442,628</u>

12. ENDOWMENTS

SOS' endowments consist of funds established for a variety of purposes and SOS has adopted the accounting standard for endowments of not-for-profit organizations. A key component of the accounting standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions for purpose or time, until appropriated for expenditure. Adoption of this standard did not affect the financial position or changes in net assets of SOS.

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, SOS has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as net assets with donor restrictions in perpetuity.

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Changes in endowment net assets for the year ended June 30, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, July 1, 2021	\$ -	\$ 754,723	\$ 754,723
Investment loss	-	(84,948)	(84,948)
Contributions	-	172,815	172,815
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 842,590</u>	<u>\$ 842,590</u>

Changes in endowment net assets for the year ended June 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ -	\$ 714,772	\$ 714,772
Investment income	-	39,951	39,951
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 754,723</u>	<u>\$ 754,723</u>

Return Objectives and Risk Parameters

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.

Endowment Spending Policy

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 investment income and gains or losses, are less than the target annual distribution, the distribution may be made from previously accumulated 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 in perpetuity. In accordance with ASC Topic 958, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2022 and 2021, there were no underwater endowment funds.

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13. RETIREMENT PLANS

SOS has a retirement plan for employees formed under Section 403(b) of the Internal Revenue Code which covers substantially all employees of SOS. Total discretionary plan contributions made by SOS for the years ended June 30, 2022 and 2021 were \$203,812 and \$160,423, respectively.

14. COMMITMENTS AND CONTINGENCIES

Commitments

SOS leases real property for clinic sites and the administrative office under separate noncancelable operating lease arrangements expiring through February 2027 and leases certain storage and parking facilities on an as-needed basis.

SOS also leases transportation equipment and copiers under operating lease agreements with five-year terms and monthly payments ranging from \$5,175 to \$16,600.

The total future minimum lease commitments as of June 30, 2022, are as follows for the years ending June 30:

2023	\$	836,425
2024		963,990
2025		943,091
2026		341,408
2027		<u>246,045</u>
	\$	<u>3,330,959</u>

Rent expense under operating leases for the years ended June 30, 2022 and 2021, was \$836,721 and \$938,406, respectively. Rent expense is reported in occupancy expense for the years ended June 30, 2022 and 2021.

Contingencies

Government Grants

SOS' government grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. Such audits could generate expenditure disallowances under terms of the grants or contracts.

Litigation

During the normal course of business, SOS may be involved in litigation. SOS has accrued liabilities within accrued expenses and other current liabilities in the accompanying consolidated statements of financial position for legal claims in which information has become available to indicate that it is probable that a loss has been incurred and the amount of the loss is known or can be reasonably estimated.

Medical Malpractice Claims

Effective February 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.

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US GAAP requires 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.

15. CONCENTRATION OF CREDIT RISK

Credit Risks

Financial instruments that potentially subject SOS to credit risk consist principally of cash deposits in excess of insured limits and accounts receivable.

Bank Deposits

SOS maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation ("FDIC") insured institutions. SOS maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000. As of June 30, 2022 and 2021, SOS' deposits exceeded the insured limits.

Accounts Receivable

SOS grants credit without collateral to its patients, most of whom are local residents and insured under third-party payor agreements.

16. PAYCHECK PROTECTION PROGRAM LOAN

On April 28, 2020, SOS issued an unsecured promissory note (the "PPP Loan") for \$2,116,210 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if SOS was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On June 14, 2021, SOS was informed that its application for forgiveness of \$2,116,210 of the PPP Loan was approved. Accordingly, SOS recorded it as a forgiveness of debt in the accompanying consolidated statements of activities as of June 30, 2021.

SUPPLEMENTARY INFORMATION

Share Our Selves Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Period</u>	<u>Contract/Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services, Public Health Service (HHS-PHS)				
Direct Programs:				
Health Center Program	93.224	06/01/21-05/31/22	H80CS24199	\$ 2,663,477
Health Center Program	93.224	06/01/21-05/31/22	H8FCS40640	<u>1,978,928</u>
				4,642,405
SAMHSA Substance Abuse and Mental Health Services Administration	93.243	11/30/21-11/29/22	1H79TI080472-01	<u>349,951</u>
Total U.S. Department of Health and Human Services				<u>4,992,356</u>
U.S. Department of Homeland Security				
Passed through from the Orange County EFSP Board Emergency Food & Shelter Program 38 Funds	97.024	07/01/21-6/30/22	LRO ID:078600-025	<u>40,635</u>
U.S. Department of Treasury				
Passed through from the County of Orange, State of California - American Rescue Plan Act of 2021 Nutrition Gap Program	21.027	10/01/20-09/30/21	MA-012-22010679	<u>100,000</u>
Total expenditures of federal awards				<u>\$ 5,132,991</u>

See Independent Auditor's Report.
The Notes to Schedule of Expenditures of Federal Awards are an integral part of this statement.

Share Our Selves Corporation
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Share Our Selves Corporation ("SOS") under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

SOS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENTS

There were no federal awards provided to subrecipients.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Share Our Selves Corporation:

We have audited, in accordance with the 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, the consolidated financial statements of the Share Our Selves Corporation (the "Organization") (a nonprofit Health Center), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

January 17, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Share Our Selves Corporation:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Share Our Selves Corporation's (the "Organization") (a nonprofit Health Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Share Our Selves Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States ("Government Auditing Standards") and the audit 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provision of contracts for grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

January 17, 2023

**Share Our Selves Corporation
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> </u> X No
Significant deficiencies identified?	<u> </u> Yes	<u> </u> X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards Programs

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> </u> X No
Significant deficiencies identified?	<u> </u> Yes	<u> </u> X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes X No

Identification of major programs:

Federal Assistance	
<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

SECTION IV – PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

No findings noted.