



**SHARE OUR STRENGTH, INC.  
AND SUBSIDIARY**

**Consolidated Financial Statements and Supplemental  
Information**

*For The Year Ended December 31, 2012  
(With Summarized Financial Information for the Year Ended December 31, 2011)*

—◆—  
**and**  
**Report Thereon**  
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**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**

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**For the Year Ended December 31, 2012**

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Share Our Strength, Inc. and Subsidiary

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

We have audited the accompanying consolidated financial statements of Share Our Strength, Inc. and subsidiary (SOS), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the 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 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. 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 the entity's 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of SOS as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Continued**

### **Correction of Error**

As discussed in Note 15 to the consolidated financial statements, certain errors in recognizing revenue under multi-year sponsorship agreements for the year ended December 31, 2011, were discovered during the current year. Accordingly, amounts reported for grants and contributions receivable and corporate sponsorship revenue have been restated in the 2011 summarized comparative consolidated financial statements now presented, and an adjustment has been made to net assets as of December 31, 2011, to correct the error. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Report on Summarized Comparative Information*

We have previously audited SOS's 2011 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 24, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived, as restated.

#### *Accompanying Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The consolidating schedule of functional expenses is also 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
September 5, 2013

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**  
**(With Summarized Financial Information as of December 31, 2011)**

	2012	2011 (As restated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,253,110	\$ 6,953,697
Accounts receivable, net	260,087	101,783
Grants and contributions receivable, net	10,276,810	8,708,791
Deferred income tax benefit	405,178	386,406
Prepaid expenses and other assets	649,720	495,788
Property and equipment, net	846,359	755,705
<b>TOTAL ASSETS</b>	<b>\$ 16,691,264</b>	<b>\$ 17,402,170</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,737,035	\$ 2,190,488
Grants payable	747,787	429,873
Deferred revenue	433,753	481,731
Capital lease obligation	15,316	19,633
Notes payable	100,000	100,000
Deferred rent and leasehold incentives	479,467	484,918
<b>TOTAL LIABILITIES</b>	<b>4,513,358</b>	<b>3,706,643</b>
<b>Net Assets</b>		
Unrestricted	2,413,590	1,909,114
Temporarily restricted	9,764,316	11,786,413
<b>TOTAL NET ASSETS</b>	<b>12,177,906</b>	<b>13,695,527</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,691,264</b>	<b>\$ 17,402,170</b>

The accompanying notes are an integral part of these consolidated financial statements.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2012**

**(With Summarized Financial Information for the Year Ended December 31, 2011)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total (As restated)</u>
<b>REVENUE AND SUPPORT</b>				
In-kind contributions - public				
service announcements (PSAs) and advertising	\$ 24,124,288	\$ -	\$ 24,124,288	\$ 25,928,843
In-kind contributions - other	2,825,462	-	2,825,462	205,634
Corporate sponsorships, contributions and partners	13,176,559	7,050,838	20,227,397	16,810,300
Foundation grants and contributions	5,454,315	1,584,423	7,038,738	9,444,493
Event ticket sales	4,963,535	-	4,963,535	4,866,776
Individual contributions	3,596,732	-	3,596,732	3,146,475
Consulting revenue	2,070,395	-	2,070,395	1,710,089
Auction revenue	1,516,273	-	1,516,273	1,618,615
Government grants	964,428	22,998	987,426	950,714
Bake sales	507,103	-	507,103	620,492
Other	1,043,629	-	1,043,629	1,149,682
Interest income	1,390	-	1,390	3,798
Net assets released from restrictions:				
Satisfaction of purpose restrictions	9,110,356	(9,110,356)	-	-
Satisfaction of time restrictions	1,570,000	(1,570,000)	-	-
	<u>70,924,465</u>	<u>(2,022,097)</u>	<u>68,902,368</u>	<u>66,455,911</u>
<b>TOTAL REVENUE AND SUPPORT</b>				
<b>EXPENSES</b>				
<b>Program Services:</b>				
Anti-Hunger, Anti-Poverty Initiatives, including				
in-kind PSAs and advertising of \$14,605,664 and				
\$23,797,074, respectively	40,567,018	-	40,567,018	44,069,536
Community Wealth Ventures, Inc.	2,690,251	-	2,690,251	2,225,789
	<u>43,257,269</u>	<u>-</u>	<u>43,257,269</u>	<u>46,295,325</u>
<b>Supporting Services:</b>				
Management and general	1,314,333	-	1,314,333	3,823,493
Fundraising, including PSAs and advertising of	23,606,096	-	23,606,096	10,257,047
of \$9,518,624 and \$2,131,769, respectively				
Direct donor benefits	2,242,291	-	2,242,291	584,198
	<u>27,162,720</u>	<u>-</u>	<u>27,162,720</u>	<u>14,664,738</u>
<b>TOTAL EXPENSES</b>	<u>70,419,989</u>	<u>-</u>	<u>70,419,989</u>	<u>60,960,063</u>
<b>CHANGE IN NET ASSETS</b>	<u>504,476</u>	<u>(2,022,097)</u>	<u>(1,517,621)</u>	<u>5,495,848</u>
<b>NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	1,909,114	11,016,413	12,925,527	5,310,505
Prior period adjustments	<u>-</u>	<u>770,000</u>	<u>770,000</u>	<u>2,889,174</u>
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>1,909,114</u>	<u>11,786,413</u>	<u>13,695,527</u>	<u>8,199,679</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,413,590</u>	<u>\$ 9,764,316</u>	<u>\$ 12,177,906</u>	<u>\$ 13,695,527</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2012**  
**(With Summarized Financial Information for the Year Ended December 31, 2011)**  
**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2012</u>	<u>2011</u> <u>(As restated)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,517,621)	\$ 5,495,848
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	223,231	102,121
Loss on disposal of property and equipment	-	3,697
Provision for bad debt expense	10,000	153,827
Deferred tax provision	(18,772)	(78,564)
Leasehold improvements acquired through lease incentive	-	(237,941)
Changes in assets and liabilities:		
Accounts receivable	(168,304)	2,534,150
Grants and contributions receivable	(1,568,019)	(5,194,736)
Prepaid expenses and other assets	(153,932)	(193,974)
Accounts payable and accrued expenses	546,547	465,707
Grants payable	317,914	(1,345,138)
Deferred revenue	(47,978)	(1,283,944)
Deferred rent and leasehold incentives	(5,451)	292,794
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(2,382,385)</u>	<u>713,847</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(313,885)</u>	<u>(574,762)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(313,885)</u>	<u>(574,762)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on notes payable	-	100,000
Principal repayments on capital lease obligation	<u>(4,317)</u>	<u>(2,864)</u>
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(4,317)</u>	<u>97,136</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,700,587)	236,221
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,953,697</u>	<u>6,717,476</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,253,110</u>	<u>\$ 6,953,697</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 519</u>	<u>\$ 350</u>
Cash payments for income taxes	<u>\$ 3,872</u>	<u>\$ 2,101</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Leasehold improvements acquired through lease incentive	<u>\$ -</u>	<u>\$ 237,941</u>
Purchased equipment financed with capital lease obligation	<u>\$ -</u>	<u>\$ 22,497</u>

The accompanying notes are an integral part of these consolidated financial statements.

## SHARE OUR STRENGTH, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 1. Organization and Summary of Significant Accounting Policies

##### **Organization**

Share Our Strength, Inc. is one of the nation's leading anti-hunger organizations. The No Kid Hungry campaign connects kids in need with nutritious food and teaches their families how to cook healthy, affordable meals. The campaign also engages the public to make ending childhood hunger a national priority. To support these efforts, Share Our Strength raises funds in multiple ways, from mobilizing volunteer led special events across the country, to developing cause-related marketing ventures, and securing corporate sponsorships.

Community Wealth Ventures, Inc. (CWV), a wholly-owned for-profit subsidiary of Share Our Strength, was incorporated on March 31, 1997, in the state of Delaware. CWV partners with leaders, organizations and networks to solve problems at the magnitude they exist.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of Share Our Strength and CWV (collectively referred to as SOS). All intercompany transactions and balances were eliminated.

##### **Basis of Accounting**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements are prepared using the accrual basis of accounting.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with initial maturities of three months or less.

##### **Accounts Receivable and Grants and Contributions Receivable**

The face amount of accounts receivable and grants and contracts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses, determined principally on the basis of historical experience and specific allowances for known, delinquent accounts. All accounts, or portions thereof, that are deemed uncollectible, or that require an excessive collection cost, are written off to the allowance for doubtful accounts.



## SHARE OUR STRENGTH, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. Depreciation on furniture, fixtures, equipment and software is provided for on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and any gain or loss is reflected in income or expense in the accompanying consolidated statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

##### **Grants Payable**

SOS generally awards grants on an annual basis. Grants are expensed in the year in which the unconditional commitment to give is made to the grantee, in accordance with the grant term. Any amounts promised but unpaid as of December 31, 2012 are included in grants payable in the accompanying consolidated statement of financial position. All grants payable are due within one year.

##### **Net Assets**

The net assets of SOS are classified as follows:

- Unrestricted net assets represent funds that are available for support of SOS's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

##### **Support and Revenue Recognition**

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

## SHARE OUR STRENGTH, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Support and Revenue Recognition (continued)**

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying consolidated statement of financial position. Amounts received in advance are recorded as deferred revenue in the accompanying consolidated statement of financial position.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned. Accordingly, advance collections from customers for event ticket sales are recorded as deferred revenue and recognized as revenue when the event occurs. Consulting fees are recognized based on a percentage of consultants' time incurred under the contract to the contract fee. Revenue recognized on contracts for which payments have not been received is reflected as accounts receivable in the accompanying consolidated statement of financial position. Contract payments received in advance, but not yet earned, are recorded as deferred revenue in the accompanying consolidated statement of financial position.

##### **Donated Goods and Services**

In-kind contributions are recognized as revenue and support and expenses in the accompanying consolidated statement of activities at the estimated fair value as provided by the donor at the date of donation. In-kind contributions are predominantly public service announcements, other media spots, and print and web advertising.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, costs have been allocated based upon the functions they directly benefit or upon management's estimates of the proportion of these costs applicable to each function. During the year ended December 31, 2012, management refined its functional expense allocations to better reflect the internal salary and job performance information being generated by SOS's new accounting and reporting system. This resulted in more expenses being allocated to program and fundraising expenses, and fewer expenses being allocated to management and general expenses in the accompanying consolidated statement of activities.

##### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Change in Accounting Principle**

SOS early-adopted Accounting Standards Update 2012-05, *Statement of Cash Flows*, which requires the recognition of donated securities that have no donor-imposed restrictions and that are immediately converted into cash, as cash from operating activities. During the year ended December 31, 2012, SOS received \$29,676 of donated securities that were immediately converted into cash and recognized as cash from operating activities in the accompanying statement of cash flows.

2. Accounts Receivable

Accounts receivable primarily consists of amounts due from consulting engagements and is shown in the accompanying consolidated statement of financial position net of an allowance for doubtful accounts totaling \$10,000 as of December 31, 2012.

3. Grants and Contributions Receivable

Grants and contributions receivable are due as follows as of December 31, 2012:

Amounts due in:

Less than one year	\$ 8,357,755
One to five years	<u>1,935,000</u>
Total Grants and Contributions Receivable	10,292,755
Less: Unamortized Discount	<u>(15,945)</u>
Grants and Contributions Receivable, Net	<u>\$ 10,276,810</u>

All grants and contributions receivable are considered fully collectible as of December 31, 2012.

Certain future grant and contribution payments, which have been promised to SOS under the terms of its grants and sponsorship agreements, are conditioned on the ability of the donor to terminate the contract at its discretion at a future date. These conditional payments, totaling \$1,825,000 as of December 31, 2012, are not included in grants and contributions receivable due to the condition.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

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4. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consists of the following as of December 31, 2012:

Leasehold improvements	\$ 524,883
Furniture, fixtures and equipment	444,034
Computer software	<u>268,257</u>
Total Property and Equipment	1,237,174
Less: Accumulated Depreciation and Amortization	<u>(390,815)</u>
Net Property and Equipment	<u>\$ 846,359</u>

Depreciation and amortization expense totaled \$223,231 for the year ended December 31, 2012.

5. Notes Payable

In May 2011, CWV entered into two loan agreements with private foundations that are related to CWV through a common board member. Each loan consists of a \$50,000 note payable that bears interest at 1% per annum, and is payable on a quarterly basis in twelve equal installments of principal and accrued interest, commencing May 31, 2013 and ending on February 29, 2016.

The scheduled future principal payments under the notes payable are as follows at December 31, 2012:

For the Year Ending December 31,	
2013	\$ 25,000
2014	33,333
2015	33,333
2016	<u>8,334</u>
Total	<u>\$ 100,000</u>

6. Commitments

**Office Leases**

In October 2003, SOS entered into a ten-year and six-month noncancelable operating lease agreement for its office space in Washington, DC. The lease commenced on November 15, 2003 and extends through April 30, 2014. On March 9, 2011, the lease was amended to allow for additional office space to coincide with the remaining lease term. Under the terms of the

SHARE OUR STRENGTH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012

6. Commitments (continued)

**Office Leases (continued)**

lease, the base rent is subject to annual increases of 2.5% and SOS is required to pay its proportionate share of any increases in real estate taxes and operating expenses of the building. SOS has also entered into noncancelable operating lease agreements for office space in the cities of Denver, Colorado; New York, New York; and Boston, Massachusetts. These leases are for varying terms through December 2013.

On May 6, 2011, CWV entered in to a ten-year and eight-month noncancelable operating lease agreement for its office space in Washington, DC. The lease commenced on October 1, 2011 and extends through May 31, 2022. The base monthly rent is \$18,917 and is subject to annual escalations of 2.5%. CWV is also obligated to pay its proportionate share of real estate taxes and excess operating costs. As an incentive to enter into the lease, CWV received a tenant improvement allowance of \$255,375, of which \$237,941 was spent towards the construction of tenant improvements, with the balance being applied against future rental payments due to the landlord.

Under GAAP, all fixed rent increases and leasehold incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and leasehold incentives in the accompanying consolidated statement of financial position.

Future minimum lease payments required under these operating leases are as follows:

<u>For the Year Ending December 31,</u>	
2013	\$ 1,106,597
2014	493,719
2015	246,011
2016	254,155
2017	266,455
Thereafter	<u>1,259,221</u>
Total	<u>\$ 3,626,158</u>

Total rent expense for the year ended December 31, 2012 was \$1,470,455.

**Line of Credit**

On July 21, 2011, SOS obtained a \$2,000,000 line of credit with its financial institution. The line is secured by SOS's personal property and expires January 2014. SOS is required to make monthly interest payments on any outstanding balance. Amounts drawn on this line accrue interest at the bank's prime rate plus 0.75%, but not less than 5.00%, and are payable on demand. The interest rate on the line of credit as of December 31, 2012 was 5.00%. As of December 31, 2012 and during the year then ended, SOS had no outstanding balance under the line of credit agreement.

Continued

SHARE OUR STRENGTH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012

7. Temporarily Restricted Net Assets

Temporarily restricted net assets result from gifts of cash or other assets with donor imposed restrictions. Temporarily restricted net assets are released from restrictions when amounts are expended for the purpose specified or upon expiration of time restrictions. Net assets are restricted for the following purposes as of December 31, 2012:

Cooking Matters	\$ 1,434,314
No Kid Hungry	4,066,567
Other purposes	<u>304,380</u>
Total Purpose Restricted	5,805,261
Time Restricted	<u>3,959,055</u>
Total Temporarily Restricted Net Assets	<u>\$ 9,764,316</u>

8. Risks and Contingencies

**Concentration of Credit**

SOS maintains its cash and cash equivalents with certain commercial financial institutions which aggregate balances may exceed at times the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2012, SOS's cash was substantially held in accounts that were noninterest-bearing and which were fully insured regardless of their balance as of December 31, 2012. On January 1, 2013, as a result of the expiration of the temporary provision of the Dodd-Frank Act for unlimited deposit insurance coverage for noninterest-bearing transactions accounts, the balance exceeded the maximum limit insured of the FDIC by approximately \$4,922,000. SOS monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

**Office of Management and Budget Circular A-133**

SOS has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2012, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the review by the federal agencies of the independent auditor's reports for fiscal year 2012 will not have a material effect on SOS's financial position as of December 31, 2012, or its results of operations for the year then ended.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

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9. Donated Support

During the year ended December 31, 2012, SOS recognized support from in-kind goods and services as follows:

Public service announcements and advertising	\$ 24,124,288
Food and related services	1,577,471
Legal and professional services	461,825
Event space	400,000
Travel and other	<u>386,166</u>
Total	<u>\$ 26,949,750</u>

Televised, radio, and digital public service announcements (PSA's) have been donated to SOS, primarily from the Food Network and Clear Channel, to educate the general public about childhood hunger and to encourage the public to participate in SOS's No Kid Hungry program. Public service announcements are valued based on the number of times the announcements are played and the period in which the announcements are aired at the network or station's equivalent rate charged to paying customers. The associated public service announcement expense is recorded in either program service or fundraising expenses in the accompanying consolidated statement of activities based on the purpose and content of the PSA.

Print, radio, web, and television advertising has been primarily donated to publicize SOS's campaign events. The donated advertising is valued based on advertising rates in a similar manner as the public service announcements and is recorded as either program or fundraising expense in the accompanying consolidated statement of activities based on the purpose and content of the advertising.

SOS receives a significant amount of donated food and beverages, as well as food preparation services, in association with its Taste of the Nation and New York City Wine and Food Festival events. The fair value of these donated goods and services is reported as in-kind donations and direct donor benefits in the accompanying consolidated financial statements.

Event space represents space and facilities donated for use in SOS's campaign events. The space and facilities are valued based on market rental rates and is included in program service expense and fundraising in the accompanying consolidated statement of activities.

Travel and other donated items include travel stipends and event costs associated with campaign events. These costs are included in program service expense and fundraising in the accompanying consolidated statement of activities.

Donated legal and professional services are included in program service expenses and management and general expenses in the accompanying consolidated statement of activities.

SHARE OUR STRENGTH, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012

10. Pension Plan

SOS sponsors a defined contribution pension plan covering substantially all full-time employees. Employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. After one year of service, SOS matches elective deferrals up to 2% of compensation. Total pension expense for the year ended December 31, 2012 was \$108,252.

11. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, Share Our Strength is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2012 as SOS had no taxable net unrelated business income.

CWV is subject to federal and state income taxes and files separate federal and applicable state income taxes. The provision for income tax benefit resulting from net operating losses consists of the following for the year ended December 31, 2012:

Current federal income tax provision	\$ -
Current state income tax provision	<u>3,872</u>
Total Current Income Tax Provision	3,872
Deferred income tax benefit	<u>(18,772)</u>
Net Tax Benefit	<u>\$ (14,900)</u>

This tax benefit is recorded in other revenue and support in the accompanying consolidated statement of activities.

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss and tax credit carry forwards. The net deferred tax asset consisted of the following as of December 31, 2012:

Deferred tax assets:	
Cumulative net operating losses	\$ 505,408
Deferred tax liabilities:	
Accelerated depreciation	<u>(100,230)</u>
Deferred Tax Asset, Net	<u>\$ 405,178</u>



**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

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11. Income Taxes (continued)

CWV's cumulative net operating losses totaled approximately \$1,435,000 as of December 31, 2012, and expire in years 2025 through 2032. CWV's management has determined that CWV's future operations will be able to generate sufficient taxable income to realize the full amount of the deferred tax asset. Therefore, no valuation allowance has been recorded for the deferred tax asset as of December 31, 2012.

In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, SOS has evaluated its income tax positions for the year ended December 31, 2012, and has determined that it has no material uncertain tax positions. Accordingly, SOS has not recognized any liability for unrecognized income tax. The statute of limitations for tax years 2009 through 2011 remains open in the major U.S. taxing jurisdictions in which SOS is subject to taxation. It is SOS's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012, SOS had no accrual for interest and/or penalties.

12. Allocation of Joint Costs

In applying the accounting standards related to joint costs of informational materials and activities that include a fundraising appeal, SOS identified activities as program, management and general, and fundraising in the following categories:

- a. Volunteer recruitment, mobilization, and management
- b. Grant distribution
- c. Education and awareness about hunger and food insecurity

Taste of the Nation, the New York Wine and Food Festival, the Great American Bake Sale and Great American Dine Out and the like are platforms or vehicles used to accomplish one or more of the programs defined above. As such, the activities performed for each platform may be program-specific, fundraising, management and general, or joint (i.e., a combination of fundraising and program).

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, joint costs of \$7,267,973 relating to Taste of the Nation, the New York Wine and Food Festival, the Great American Bake Sale and Great American Dine Out for the year ended December 31, 2012 that included a fundraising appeal have been allocated among the programs and supporting services benefited. Of these costs, \$1,386,920 was allocated to programs and \$5,881,053 was allocated to fundraising.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

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13. Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statement balances to conform to the 2012 consolidated financial statement presentation.

14. Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. 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's consolidated financial statements for the year ended December 31, 2011, from which the summarized information was derived.

15. Prior Period Adjustment

As disclosed in Note 1, contributions are recognized as revenue when unconditional promises are made and any amounts due in future periods are recorded as temporarily restricted support. During 2011, SOS received three unconditional promises with amounts due in future periods but did not record the amounts due in future periods as temporarily restricted support. As a result, SOS recorded an adjustment to increase grants and contributions receivable and temporarily restricted net assets by \$770,000 as of December 31, 2011 in recognition of contributions promised in the prior year.

16. Subsequent Events

In preparing these consolidated financial statements, SOS has evaluated events and transactions for potential recognition or disclosure through September 5, 2013, the date the consolidated financial statements were available to be issued.

In March 2013, SOS entered into a twelve-year noncancelable operating lease agreement for its new office space in Washington, DC. The lease will commence on November 1, 2013. Base rent is subject to annual increases and SOS is required to pay its proportionate share of any increases in real estate taxes and operating expenses of the building. Additionally, SOS will receive rent abatement and a tenant improvement allowance as part of this new lease agreement.

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

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16. Subsequent Events (continued)

Future minimum lease payments required under this operating lease are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2013	\$ -
2014	475,071
2015	1,581,997
2016	1,890,972
2017	1,938,243
Thereafter	<u>17,104,055</u>
Total	<u>\$22,990,338</u>

In April 2013, CWV petitioned for, and the state of Delaware consented to, the change of CWV's name to Community Wealth Partners, Inc. CWV's name change to Community Wealth Partners, Inc. became effective April 24, 2013.

In May 2013, SOS replaced its existing line of credit with a \$3,000,000 line of credit with its financial institution. The line is secured by SOS's personal property and expires in May 2014. SOS is required to make monthly interest payments on any outstanding balance. Amounts drawn on this line accrue interest at the bank's prime rate plus 0.5%.

There are no other subsequent events that require recognition of, or disclosure in, the consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**SHARE OUR STRENGTH, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

	Share Our Strength	Community Wealth Ventures, Inc. (CWV, Inc.)	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,759,739	\$ 493,371	\$ -	\$ 4,253,110
Accounts receivable, net	38,947	244,220	(23,080)	260,087
Grants and contributions receivable, net	10,276,810	-	-	10,276,810
Investment in CWV, Inc.	819,714	-	(819,714)	-
Deferred income tax benefit	-	405,178	-	405,178
Prepaid expenses and other assets	600,987	48,733	-	649,720
Property and equipment, net	553,090	293,269	-	846,359
	<u>\$ 16,049,287</u>	<u>\$ 1,484,771</u>	<u>\$ (842,794)</u>	<u>\$ 16,691,264</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 2,614,341	\$ 145,774	\$ (23,080)	\$ 2,737,035
Grants payable	747,787	-	-	747,787
Deferred revenue	392,827	40,926	-	433,753
Capital lease obligation	-	15,316	-	15,316
Notes payable	-	100,000	-	100,000
Deferred rent and leasehold incentives	116,426	363,041	-	479,467
	<u>3,871,381</u>	<u>665,057</u>	<u>(23,080)</u>	<u>4,513,358</u>
<b>Net Assets</b>				
Unrestricted	2,413,590	-	-	2,413,590
Temporarily restricted	9,764,316	-	-	9,764,316
	<u>12,177,906</u>	<u>-</u>	<u>-</u>	<u>12,177,906</u>
<b>STOCKHOLDER'S EQUITY</b>				
Common stock - no par; 10,000 shares authorized, par value .01; issued and outstanding, 100 shares	-	1	(1)	-
Additional paid-in-capital	-	1,671,343	(1,671,343)	-
Retained earnings	-	(851,630)	851,630	-
	<u>-</u>	<u>819,714</u>	<u>(819,714)</u>	<u>-</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<u>-</u>	<u>819,714</u>	<u>(819,714)</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>12,177,906</u>	<u>819,714</u>	<u>(819,714)</u>	<u>12,177,906</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 16,049,287</u>	<u>\$ 1,484,771</u>	<u>\$ (842,794)</u>	<u>\$ 16,691,264</u>

SHARE OUR STRENGTH, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

	Share Our Strength			Community Wealth Ventures, Inc.	Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted		
REVENUE AND SUPPORT						
In-kind contributions - public service announcements (PSAs) and advertising	\$ 24,124,288	\$ -	\$ 24,124,288	\$ -	\$ -	\$ 24,124,288
In-kind contributions - other	2,825,462	-	2,825,462	-	-	2,825,462
Corporate sponsorships, contributions and partners	13,176,559	7,050,838	20,227,397	-	-	20,227,397
Foundation grants and contributions	5,454,315	1,584,423	7,038,738	-	-	7,038,738
Event ticket sales	4,963,535	-	4,963,535	-	-	4,963,535
Individual contributions	3,596,732	-	3,596,732	-	-	3,596,732
Consulting revenue	-	-	-	2,655,795	(585,400)	2,070,395
Auction revenue	1,516,273	-	1,516,273	-	-	1,516,273
Government grants	964,428	22,998	987,426	-	-	987,426
Bake sales	507,103	-	507,103	-	-	507,103
Other	1,028,623	-	1,028,623	15,006	-	1,043,629
Interest income	1,317	-	1,317	73	-	1,390
Net assets released from restrictions:						
Satisfaction of purpose restrictions	9,110,356	(9,110,356)	-	-	-	-
Satisfaction of time restrictions	1,570,000	(1,570,000)	-	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>68,838,991</b>	<b>(2,022,097)</b>	<b>66,816,894</b>	<b>2,670,874</b>	<b>(585,400)</b>	<b>68,902,368</b>
EXPENSES						
Program Services:						
Anti-Hunger, Anti-Poverty Initiatives, including in-kind in-kind PSAs and advertising of \$14,605,664	41,152,418	-	41,152,418	-	(585,400)	40,567,018
Community Wealth Ventures, Inc.	-	-	-	2,690,251	-	2,690,251
<b>Total Program Services</b>	<b>41,152,418</b>	<b>-</b>	<b>41,152,418</b>	<b>2,690,251</b>	<b>(585,400)</b>	<b>43,257,269</b>
Supporting Services:						
Management and general	1,314,333	-	1,314,333	-	-	1,314,333
Fundraising, including in-kind PSAs and advertising of \$9,518,624	23,606,096	-	23,606,096	-	-	23,606,096
Direct donor benefits	2,242,291	-	2,242,291	-	-	2,242,291
<b>Total Supporting Services</b>	<b>27,162,720</b>	<b>-</b>	<b>27,162,720</b>	<b>-</b>	<b>-</b>	<b>27,162,720</b>
<b>TOTAL EXPENSES</b>	<b>68,315,138</b>	<b>-</b>	<b>68,315,138</b>	<b>2,690,251</b>	<b>(585,400)</b>	<b>70,419,989</b>
<b>NET LOSS FROM SUBSIDIARY</b>	<b>(19,377)</b>	<b>-</b>	<b>(19,377)</b>	<b>-</b>	<b>19,377</b>	<b>-</b>
CHANGE IN NET ASSETS	504,476	(2,022,097)	(1,517,621)	(19,377)	19,377	(1,517,621)
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED	1,909,114	11,016,413	12,925,527	839,091	(839,091)	12,925,527
Prior period adjustments	-	770,000	770,000	-	-	770,000
NET ASSETS, BEGINNING OF YEAR AS RESTATED	1,909,114	11,786,413	13,695,527	839,091	(839,091)	13,695,527
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,413,590</b>	<b>\$ 9,764,316</b>	<b>\$ 12,177,906</b>	<b>\$ 819,714</b>	<b>\$ (819,714)</b>	<b>\$ 12,177,906</b>

SHARE OUR STRENGTH, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2012  
(with Summarized Financial Information for the Year Ended December 31, 2011)

	Program Services			Supporting Services			Eliminations	2012 Total	2011 Total
	Anti-Hunger, Anti-Poverty Initiatives	Community Wealth Ventures, Inc.	Total Program Services	Management and General	Fundraising	Direct Donor Benefits			
In-kind public service announcements and advertising	\$ 14,605,664	\$ -	\$ 14,605,664	\$ -	\$ 9,518,624	\$ -	\$ -	\$ 24,124,288	\$ 25,928,843
Salaries, benefits and payroll taxes	8,221,300	1,984,807	10,206,107	919,255	5,126,281	-	-	16,251,643	13,018,868
Meetings and events	3,447,548	75,248	3,522,796	6,682	5,403,939	2,179,094	-	11,112,511	5,046,206
Grants	8,863,250	-	8,863,250	-	-	-	-	8,863,250	7,116,725
Consulting and professional services	2,734,104	139,748	2,873,852	35,984	963,972	-	(585,400)	3,288,408	3,420,069
Travel	530,773	53,476	584,249	186,862	731,848	-	-	1,502,959	1,125,350
Rent	679,574	222,711	902,285	64,059	504,101	-	-	1,470,445	1,048,549
Office and telecommunications	555,996	134,185	690,181	50,942	446,211	-	-	1,187,334	1,485,071
Printing, design and production	1,013,552	17,578	1,031,130	800	-	63,197	-	1,095,127	1,341,605
Fees and licenses	73,234	-	73,234	3,240	630,733	-	-	707,207	714,633
Equipment maintenance	239,577	2,888	242,465	11,346	136,260	-	-	390,071	326,548
Depreciation and amortization	102,726	47,678	150,404	9,426	63,401	-	-	223,231	102,121
Postage	85,120	1,306	86,426	5,737	80,726	-	-	172,889	127,114
Bad debt expense	-	10,000	10,000	20,000	-	-	-	30,000	153,827
Interest expense	-	519	519	-	-	-	-	519	-
Miscellaneous	-	107	107	-	-	-	-	107	4,534
<b>Total</b>	<b>\$ 41,152,418</b>	<b>\$ 2,690,251</b>	<b>\$ 43,842,669</b>	<b>\$ 1,314,333</b>	<b>\$ 23,606,096</b>	<b>\$ 2,242,291</b>	<b>\$ (585,400)</b>	<b>\$ 70,419,989</b>	<b>\$ 60,960,063</b>