

SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2013 and 2012

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities - Year Ended June 30, 2013	4
Statement of Activities - Year Ended June 30, 2012	5
Statement of Functional Expenses - Year Ended June 30, 2013	6
Statement of Functional Expenses - Year Ended June 30, 2012	7
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	26
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	31



Noe and Company

Independent Auditor's Report

To the Board of Directors of
Shanti Project
San Francisco, California

Report on the Financial Statements

I have audited the accompanying financial statements of Shanti Project ("Shanti"), a California nonprofit organization, which comprise the statements of financial position of Shanti as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Shanti's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shanti's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Shanti as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures of federal awards, as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2013, on my consideration of Shanti's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shanti's internal control over financial reporting and compliance.

Oakland, California
November 12, 2013

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SHANTI PROJECT
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

Assets:	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 93,231	\$ 108,706
Contracts Receivable	244,244	181,638
Grants Receivable	226,105	146,370
Pledges Receivable	1,063	1,723
Employee Advances	441	-
Prepaid Expenses	<u>4,452</u>	<u>3,789</u>
Total Current Assets	569,536	442,226
 Property and Equipment, net	 -	 -
 Other Assets:		
Deposits	<u>9,141</u>	<u>8,500</u>
Total Other Assets	<u>9,141</u>	<u>8,500</u>
 Total Assets	 \$ <u>578,677</u>	 \$ <u>450,726</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 157,598	\$ 99,824
Accrued Payroll and Payroll Taxes	56,688	96,511
Accrued Vacation	76,524	57,032
Other Accrued Liabilities	<u>37,534</u>	<u>-</u>
Total Current Liabilities	<u>328,344</u>	<u>253,367</u>
 Total Liabilities	 328,344	 253,367
 Net Assets:		
Unrestricted	(21,338)	(56,292)
Temporarily Restricted	246,671	228,651
Permanently Restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>250,333</u>	<u>197,359</u>
 Total Liabilities and Net Assets	 \$ <u>578,677</u>	 \$ <u>450,726</u>

See accompanying notes to financial statements

**SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 1,240,125			\$ 1,240,125
Grants	475,619	\$ 150,000		625,619
Contributions	118,774			118,774
Program Service Fees	165,443			165,443
Special Events Revenue	287,687			287,687
Special Events Direct Benefit Costs	(84,506)			(84,506)
Donated Services and Goods	273,742			273,742
Investment Income	7			7
Other Income	8,690			8,690
Net Assets Released from Restrictions	<u>131,980</u>	<u>(131,980)</u>	_____	<u>_____</u>
Total Revenues and Supports	2,617,561	18,020	_____	2,635,581
Expenses:				
Program Services:				
HIV/AIDS Services	513,455			513,455
Margot Murphy Breast Cancer Program	506,269			506,269
The L.I.F.E. Program	595,136			595,136
HIV Health Services Planning Council	330,879			330,879
Volunteer Services Program	<u>204,786</u>	_____	_____	<u>204,786</u>
Total Program Services	2,150,525	_____	_____	2,150,525
Supporting Services:				
Management and General	121,743			121,743
Development	<u>310,339</u>	_____	_____	<u>310,339</u>
Total Supporting Services	<u>432,082</u>	_____	_____	<u>432,082</u>
Total Expenses	<u>2,582,607</u>	_____	_____	<u>2,582,607</u>
Change in Net Assets	34,954	18,020		52,974
Net Assets, Beginning of the Year	<u>(56,292)</u>	<u>228,651</u>	\$ <u>25,000</u>	<u>197,359</u>
Net Assets, End of the Year	\$ <u><u>(21,338)</u></u>	\$ <u><u>246,671</u></u>	\$ <u><u>25,000</u></u>	\$ <u><u>250,333</u></u>

See accompanying notes to financial statements

**SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 1,281,899			\$ 1,281,899
Grants	317,265	\$ 175,190		492,455
Contributions	124,886			124,886
Program Service Fees	159,834			159,834
Special Events Revenue	266,473			266,473
Special Events Direct Benefit Costs	(86,929)			(86,929)
Donated Services and Goods	66,615			66,615
Investment Income	11			11
Other Income	1,749			1,749
Net Assets Released from Restrictions	<u>191,944</u>	<u>(191,944)</u>	_____	<u>_____</u>
Total Revenues and Supports	2,323,747	(16,754)	_____	2,306,993
Expenses:				
Program Services:				
HIV/AIDS Services	401,612			401,612
Margot Murphy Breast Cancer Program	607,257			607,257
The L.I.F.E. Program	511,672			511,672
HIV Health Services Planning Council	339,535			339,535
Volunteer Services Program	<u>54,571</u>	_____	_____	<u>54,571</u>
Total Program Services	1,914,647	_____	_____	1,914,647
Supporting Services:				
Management and General	121,156			121,156
Development	<u>230,571</u>	_____	_____	<u>230,571</u>
Total Supporting Services	351,727	_____	_____	351,727
Total Expenses	2,266,374	_____	_____	2,266,374
Change in Net Assets	57,373	(16,754)		40,619
Net Assets, Beginning of the Year	<u>(113,665)</u>	<u>245,405</u>	\$ <u>25,000</u>	<u>156,740</u>
Net Assets, End of the Year	\$ <u>(56,292)</u>	\$ <u>228,651</u>	\$ <u>25,000</u>	\$ <u>197,359</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	HIV/AIDS Services	Margot Murphy Breast Cancer Program	The L.I.F.E. Program	HIV Health Services Planning Council	Volunteer Services Program	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 239,324	\$ 255,355	\$ 370,322	\$ 215,617	\$ 10,813	\$ 1,091,431	\$ 62,022	\$ 213,033	\$ 275,055	\$ 1,366,486
Payroll Taxes	21,036	22,450	32,439	18,893	907	95,725	4,134	20,176	24,310	120,035
Benefits	23,706	24,483	32,930	23,128	1,296	105,543	(1,478)	18,559	17,081	122,624
Contract Services	92,625	139,364	79,980	27,266	1,211	340,446	27,337	10,663	38,000	378,446
Donated Services and Goods	99,951	-	100	-	173,691	273,742	-	-	-	273,742
Program Expenses	1,735	32,815	13,543	3,000	617	51,710	-	-	-	51,710
Travel	4,597	4,953	3,497	9,677	2,979	25,703	14,115	9,521	23,636	49,339
Conference and Meeting	450	635	11,548	12,462	10,617	35,712	2,975	525	3,500	39,212
Staff Development	291	400	-	-	40	731	450	400	850	1,581
Telephone	2,325	2,264	3,276	2,241	98	10,204	614	1,904	2,518	12,722
Postage and Shipping	175	856	2,165	273	7	3,476	-	5,796	5,796	9,272
Printing and Duplication	642	692	13,804	459	863	16,460	90	6,304	6,394	22,854
Dues and Subscription	675	125	-	1,100	-	1,900	250	3,021	3,271	5,171
Supplies	7,176	3,623	5,339	3,047	775	19,960	1,341	4,906	6,247	26,207
Occupancy	14,181	13,808	19,982	10,150	601	58,722	1,990	11,611	13,601	72,323
Equipment Rental and Maintenance	2,530	2,464	3,625	2,110	107	10,836	355	2,072	2,427	13,263
Insurance	2,034	1,981	2,866	1,456	86	8,423	1,837	1,665	3,502	11,925
Bank Charges	2	1	-	-	-	3	4,591	17	4,608	4,611
Miscellaneous	-	-	(280)	-	78	(202)	1,120	166	1,286	1,084
Total Expenses	\$ 513,455	\$ 506,269	\$ 595,136	\$ 330,879	\$ 204,786	\$ 2,150,525	\$ 121,743	\$ 310,339	\$ 432,082	\$ 2,582,607

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	HIV/AIDS Services	Margot Murphy Breast Cancer Program	The L.I.F.E. Program	HIV Health Services Planning Council	Volunteer Services Program	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 193,326	\$ 300,862	\$ 341,754	\$ 232,087	\$ 28,224	\$ 1,096,253	\$ 67,179	\$ 151,960	\$ 219,139	\$ 1,315,392
Payroll Taxes	19,845	30,970	35,429	23,330	3,099	112,673	7,230	15,107	22,337	135,010
Benefits	17,458	24,292	30,749	23,220	1,877	97,596	3,039	11,733	14,772	112,368
Contract Services	70,678	124,632	17,474	12,890	2,652	228,326	16,019	11,741	27,760	256,086
Donated Services and Goods	63,957	122	-	-	320	64,399	-	-	-	64,399
Outreach	-	825	11,509	-	410	12,744	-	-	-	12,744
Program Expenses	6,330	29,939	11,407	-	242	47,918	-	-	-	47,918
Travel	4,714	29,907	1,877	3,519	2,447	42,464	9,116	6,054	15,170	57,634
Conference and Meeting	1,656	2,115	7,872	20,794	7,097	39,534	1,843	1,002	2,845	42,379
Staff Development	-	228	-	-	305	533	560	800	1,360	1,893
Telephone	3,265	4,705	5,315	3,478	430	17,193	1,553	2,336	3,889	21,082
Postage and Shipping	465	5,472	802	469	61	7,269	342	7,340	7,682	14,951
Printing and Duplication	412	24,136	16,238	636	54	41,476	135	4,771	4,906	46,382
Dues and Subscription	250	1,920	-	-	10	2,180	790	2,301	3,091	5,271
Supplies	4,101	5,218	6,149	3,587	5,313	24,368	1,626	3,586	5,212	29,580
Occupancy	11,507	16,582	18,733	11,583	1,515	59,920	5,076	8,818	13,894	73,814
Equipment Rental and Maintenance	1,396	2,012	2,273	1,406	184	7,271	459	989	1,448	8,719
Insurance	1,858	2,677	3,025	1,870	245	9,675	611	1,316	1,927	11,602
Bank Charges	194	280	316	196	38	1,024	3,798	326	4,124	5,148
Interest Expenses	3	4	4	3	-	14	189	2	191	205
Miscellaneous	197	359	746	467	48	1,817	1,591	389	1,980	3,797
Total Expenses	\$ 401,612	\$ 607,257	\$ 511,672	\$ 339,535	\$ 54,571	\$ 1,914,647	\$ 121,156	\$ 230,571	\$ 351,727	\$ 2,266,374

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities:		
Change in Net Assets	\$ 52,974	\$ 40,619
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used in) by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Increase in Contracts Receivable	(62,606)	(33,994)
Decrease (Increase) in Grants Receivable	(79,735)	24,226
Decrease in Pledges Receivable	660	28,774
Increase in Employee Advances	(441)	-
Increase in Prepaid Expenses	(663)	(3,789)
Decrease (Increase) in Deposits	(641)	1,622
Increase (Decrease) in Accounts Payable	57,774	(39,788)
Increase (Decrease) in Accrued Payroll and Payroll Taxes	(39,823)	4,504
Increase (Decrease) in Accrued Vacation	19,492	(1,636)
Increase in Other Accrued Liabilities	<u>37,534</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	(15,475)	20,538
Financing Activities:		
Principal Payments on Obligation under Capital Lease	<u>-</u>	<u>(3,662)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(3,662)</u>
Net Increase (Decrease) in Cash	(15,475)	16,876
Cash, Beginning of Year	<u>108,706</u>	<u>91,830</u>
Cash, End of Year	\$ <u>93,231</u>	\$ <u>108,706</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ <u>-</u>	\$ <u>205</u>
Donated Services and Goods	\$ <u>273,742</u>	\$ <u>66,615</u>

See accompanying notes to financial statements

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

1. ORGANIZATION

The Shanti Project (“Shanti”) was founded in 1974. Shanti exists to enhance the health, quality of life and well-being of people living with life-threatening illnesses. Each year, Shanti serves over 2,000 women and men living with HIV/AIDS and over 450 living with breast cancer, many of whom are low-income and medically underserved. Shanti provides culturally and linguistically competent Care Navigation, basic in-home assistance including practical and emotional support through trained staff and long-term volunteer care-givers, as well as health education, wellness and survivorship classes and events. Founded by Dr. Charlie Garfield at the UCSF Cancer Institute, Shanti was one of the first-ever volunteer organizations to work with terminally-ill individuals, and later became one of the very first community-based HIV/AIDS organizations in the world. For so many clients, Shanti represents the difference between zero and one—the difference between a client having to face a life-threatening illness alone or having at least one caring presence at his or her side.

HIV/AIDS Services

Shanti’s HIV/AIDS Services program targets San Francisco's most challenged and at-risk HIV+ communities: the socially isolated, the homeless or marginally housed, communities of color, women, the trans communities, the aging community, individuals challenged with mental health and/or substance use issues, individuals co-infected with other diseases (such as Hepatitis C), individuals with complex/high-needs issues, the newly diagnosed, and residents of neighborhoods where HIV and poverty are co-prevalent. The program offers care navigation, information and referral, peer and client advocacy, outreach, peer support volunteer matches, a range of free activities and events, educational workshops, support groups, and a drop-in center. HIV Services has two contractual collaborations (St. Mary's Medical Center and Westside Community Services) and maintains direct linkages with the range of medical, mental health, and social service agencies within the San Francisco continuum of care.

In addition, Shanti's newest program targets MSM (men who have sex with men) individuals with a diagnosis of cancer. Services are currently the provision of an ongoing support group occurring twice monthly, care navigation, and matches with trained peer support volunteers. This is the only such program targeting the MSM community in San Francisco. Services are also available to the trans community and are available to all individuals with cancer, regardless of HIV/sero status.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

1. ORGANIZATION (Continued)

HIV Health Services Planning Council

The HIV Health Services Planning Council (HHSPC) prioritizes all service categories within the San Francisco EMA ("Eligible Metropolitan Area", comprising San Francisco, Marin, and San Mateo counties) and allocates resources/dollar amounts to each service category. The Council also conducts regular community-wide needs assessments and targeted focus groups to assess current areas of need and to maintain quality assurance protocols. The HHSPC Support program provides administrative oversight and support, education, and training to council members, all of whom are volunteers and are individuals living with HIV, service providers, and/or government representatives. HHSPC Support also provides information and public policy assistance to any interested parties including service providers, other community bodies, governmental agencies, and individuals living with HIV.

Margot Murphy Breast Cancer Program

Shanti's Margot Murphy Breast Cancer Program (hereafter Breast Cancer Program) was established in 2001 to mitigate factors that lead to a disproportionate rate of breast cancer mortality among vulnerable San Francisco populations. A 2001 needs assessment undertaken by The Breast Cancer Fund, the San Francisco Department of Public Health (SFDPH), and other local healthcare organizations found that while access to screening for breast cancer was increasing, access to treatment and the ability to complete treatment was a particular challenge for women who are low income, uninsured/underinsured, Limited English Proficient, and/or from immigrant populations. To address this, our Breast Cancer Program has prioritized women from these groups since its inception.

Today, the Breast Cancer Program serves over 500 physically, linguistically, and culturally isolated clients annually, providing critically needed one-on-one services for clients in treatment and Health and Wellness activities for all clients. Since its inception, the program has been contractually integrated into the San Francisco Department of Public Health's Breast and Cervical Cancer Services at San Francisco General Hospital (BCCS-SFGH), effectively reducing appointment "no shows," and increasing adherence to treatment and follow-up care. In addition to BCCS-SFGH, Shanti partners with all other local hospitals and clinics, collaborating closely with social workers and health providers to ensure that clients are able to remain engaged in their cancer treatment and health building services. The program receives 100-125 new client referrals annually from local partner hospitals (80%) and other community partner/agencies or self-referrals (20%).

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

1. ORGANIZATION (Continued)

Margot Murphy Breast Cancer Program (Continued)

Shanti's Breast Cancer Program is unique among care navigation services for breast cancer patients and survivors in San Francisco in that it provides a direct service approach that can be delivered in non-clinical settings, including a client's home, hospital room, or Shanti's office. Integral to the program's success is the staff's ability to provide all interactions with clients directly in English, Spanish, Cantonese, Taishanese and Mandarin. Shanti's multilingual staff members (1) share the language and culture of the clients they serve, (2) provide emotional and practical support to clients during the most trying aspects of treatment and (3) facilitate health-education and wellness activities for clients throughout the year. Clients in our program also benefit from staff members having been trained in the Shanti Model of Peer Support™, a non-directive, client-centered mode of communication that is grounded in the skills of active listening, harm reduction, and compassionate presence. Because of these skills, clients accept Shanti Care Navigators as trusted advocates and non-judgmental peer supporters. The result is that staff members are uniquely positioned to facilitate action steps, such as helping clients develop and ask questions about treatment options, and helping clients to access information about social service resources that may help them remain engaged in treatment.

The L.I.F.E. Program

The LIFE Program ("L.I.F.E." being an acronym for Learning Immune Function Enhancement) promotes the health of persons living with HIV/AIDS through an evidence-based approach to health education and peer support, based on the latest research in psycho-neuro-immunology and successful health-enhancing practices of long-term survivors of HIV/AIDS. Participants of the LIFE Program gain the knowledge, motivation and skills to self-manage their HIV. Services include a 1-on-1 peer health-counseling, multi-session workshops, 1-day seminars, weekly drop-in group support, weekly yoga, and on-going community-building events.

The LIFE Program is offered across the country at more than 15 sites, including San Francisco, where it is offered by Shanti, and provides updated curriculum, implementation support (including tailored marketing materials), technical assistance, easily accessible web-based outcome measures, and outcome analysis. Training for facilitators from community-based organizations (CBOs) and government agencies who wish to implement multi-session LIFE workshops is offered annually in San Francisco or on location at National sites.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

1. ORGANIZATION (Continued)

Volunteer Services Program

The Volunteer Services Program offers opportunities for members of the community to be of service, to put their compassion, their skills, and their interests into action to support people living with the challenges of HIV/AIDS and breast cancer. Volunteers are trained to provide emotional support and practical assistance to individuals living with life-threatening illnesses, using the internationally recognized the Shanti Model of Peer Support™. Volunteers serve clients through one-on-one client/volunteer matches, short-term or one-time only support, our drop-in center, our activities program and by offering workshops and classes. Shanti has also trained over 600 volunteer organizations worldwide in how to provide compassionate service to clients with life-threatening illnesses and/or at the end-of-life. At any time, more than 250 Shanti volunteers assist in carrying out Shanti's mission, donating more than 12000 hours per year. About 2/3rds of volunteers complete Shanti's Peer Support training programs and go on to provide compassionate emotional and practical peer support services 1-on-1 to people living with HIV/AIDS and Breast Cancer. Shanti's Volunteer Program alumni, a group numbering more than 15,000 of current or past volunteers, includes a diverse group men in women from in and around the Bay Area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Shanti have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses as incurred.

Cost Reimbursement Contracts

Grant revenue from federal, state and county contracts is recognized based on the terms of the respective contracts. Revenue from government agencies for contract services provided by Shanti to third-party organizations is recognized upon completion of services and is reflected as "Governmental Contracts Revenue" in the accompanying Statement of Activities.

Concentration of Revenue

Shanti receives approximately 47% and 56% of its revenue from governmental sources during the years ended June 30, 2013 and 2012, respectively.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets of Shanti and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Shanti and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Shanti. Generally, the donors of these assets permit Shanti to use all or part of the income earned on any related investments for general or specific purposes.

Fair Value Measurements

Shanti reports its fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting standards, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 - Unobservable inputs for assets or liabilities. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are stated at estimated fair market value when received. Depreciation and amortization are recorded using the straight-line method over estimated useful lives ranging from three to five years. Shanti's policy is to capitalize long-term asset expenditures in excess of \$5,000.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services and Goods

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, that are performed by people with those skills, and that would typically need to be purchased if not provided by donation. During the years ended June 30, 2013 and 2012, the value of contributed services included in the accompanying statement of activities amounted to \$173,651 and \$2,216, respectively. Local arts and entertainment organizations and various corporations contributed \$100,091 and \$64,399 in the fiscal years ended June 30, 2013 and 2012, respectively, of donated tickets and entry fees and goods used for the benefit of Shanti's clients.

A substantial number of volunteers have donated significant amounts of time in Shanti's program services and development activities. During the years ended June 30, 2013 and 2012 at any given time, Shanti had approximately 250 volunteers who provided in excess of 12,000 volunteer service hours each year, only a portion of which is recognized in its financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments that potentially subject Shanti to concentrations of credit risk are primarily cash, investments and accounts receivable. Shanti places its cash in financial institutions that are insured in limited amounts by the U.S. government.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Shanti is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code. It is the opinion of management that all income earned has been related to Shanti's tax-exempt status and there has been no unrelated business income.

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on the management's analysis of Shanti's tax positions, the accounting for any uncertainty in Shanti's tax positions is not expected to have a material impact on the financial statements.

Subsequent Events

Shanti has evaluated subsequent events through November 12, 2013, which is the date the financial statements were available to be issued.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

3. CONTRACTS RECEIVABLE

A summary of contracts receivable as of June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
City and County of San Francisco	\$ 211,398	\$ 90,119
The San Francisco AIDS Foundation	10,106	72,980
Others	<u>22,740</u>	<u>18,539</u>
Total	\$ <u>244,244</u>	\$ <u>181,638</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and Equipment	\$ 71,846	\$ 71,846
Leasehold Improvements	<u>1,700</u>	<u>1,700</u>
Total Property and Equipment	73,546	73,546
Less: Accumulated Depreciation	<u>(73,546)</u>	<u>(73,546)</u>
Net Property and Equipment	\$ <u> -</u>	\$ <u> -</u>

5. RETIREMENT PLAN

Shanti has adopted a defined contribution retirement plan (the "Plan") under Section 403 (b) of the Internal Revenue Code. The Plan covers all full-time employees of Shanti and provides for voluntary salary deferrals up to certain limits. Shanti did not contribute to the plan for the years ended June 30, 2013 and 2012.

6. REVOLVING LINE OF CREDIT

Shanti had a revolving line of credit of \$80,000 at June 30, 2013. The line of credit had no outstanding balance at June 30, 2013 or June 30, 2012. Interest payments on the credit line are due monthly at a rate equal to the Index plus 1.5%. The credit line is secured by certain personal property owned by Shanti. The credit line expires on January 10, 2014.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

7. OPERATING LEASES

Shanti has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$141 to \$5,878. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2013, are as follows:

Year Ending June 30,		
	2014	\$ 86,656
	2015	14,444
	2016	<u>4,640</u>
	Total	\$ <u>105,740</u>

Rent expenses amounted to \$72,323 and \$73,814 for the years ended June 30, 2013 and 2012, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2013 and 2012, temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Margot Murphy Breast Cancer Program	\$ 225,000	\$ 189,522
HIV/AIDS Services	2,161	3,114
The L.I.F.E. Program	19,510	28,515
Volunteer Services	<u>-</u>	<u>7,500</u>
Total	\$ <u>246,671</u>	\$ <u>228,651</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
HIV/AIDS Services	\$ 953	\$ 55,318
Margot Murphy Breast Cancer Program	114,522	130,140
The L.I.F.E. Program	9,005	6,485
Volunteer Services	<u>7,500</u>	<u>-</u>
Total	\$ <u>131,980</u>	\$ <u>191,943</u>

10. ENDOWMENT FUND

Shanti's endowment consists of \$25,000 of a donor restricted fund received in 2005. The donor requested that Shanti should set up an endowment account and use the income from the endowment account for the Breast Cancer Program.

The Board of Directors of Shanti has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Shanti classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Shanti in a manner consistent with the standard of prudence prescribed by UPMIFA.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

10. ENDOWMENT FUND (Continued)

Changes in endowment net assets for the year ended June 30, 2013 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2012	\$ 42	\$ -	\$ 25,000	\$ 25,042
Investment Income	4	-	-	4
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2013	\$ <u>46</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,046</u>

Changes in endowment net assets for the year ended June 30, 2012 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2011	\$ 33	\$ -	\$ 25,000	\$ 25,033
Investment Income	9	-	-	9
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2012	\$ <u>42</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,042</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

11. COMPLIANCE WITH GRANTOR OR DONOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants or loans are subject to special audits. Such audits could result in claims against Shanti for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

SUPPLEMENTARY INFORMATION

SHANTI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Period</u>	<u>Program Award Amount</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>						
HIV Emergency Relief Project Grants:						
Passed through the City and County of San Francisco						
HIV Health Services	93.914	HCPD13/1201	3/1/12-2/28/13	\$ 330,485	\$ 229,309	\$ 229,309
HIV Health Services	93.914	HCPD13/1301	3/1/13-2/28/14	325,485	100,304	100,304
Westside Integrated Case Management	93.914	HCPD13/1201	3/1/12-2/28/13	135,789	90,388	90,388
Westside Integrated Case Management	93.914	HCPD13/1301	3/1/13-2/28/14	135,789	47,081	47,081
Emotional and Practical Support Services	93.914	HCPD13/1201	3/1/12-2/28/13	192,243	142,681	142,681
Emotional and Practical Support Services	93.914	HCPD13/1301	3/1/13-2/28/14	192,243	<u>69,365</u>	<u>69,365</u>
Total U.S. Department of Health and Human Services					<u>679,128</u>	<u>679,128</u>
Total Federal Awards					<u>\$ 679,128</u>	<u>\$ 679,128</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

SHANTI PROJECT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Shanti Project (“Shanti”) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Revenues for the federal awards are received as reimbursement for specific purposes or projects and are recognized based upon eligible recorded expenditures. In some cases total expenditures for programs exceed amounts awarded. Such excess amounts are not included in the accompanying schedule of expenditures of federal awards. The federal awards to Shanti are primarily from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development.



Noe and Company

Independent Auditor's 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

To the Board of Directors of
Shanti Project
San Francisco, California

I 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 financial statements of Shanti Project ("Shanti"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Shanti's financial statements, and have issued my report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements , I considered Shanti's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shanti'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 Shanti's 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shanti's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shanti's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shanti's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oakland, California
November 12, 2013

Noe and Company



Noe and Company

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Directors of
Shanti Project
San Francisco, California

Report on Compliance for Each Major Federal Program

I have audited the compliance of Shanti Project ("Shanti") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shanti's major federal programs for the year ended June 30, 2013. Shanti's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Shanti's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shanti's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Shanti's compliance.

Opinion on Each Major Federal Program

In my opinion, Shanti complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Shanti's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements refer to above. In planning and performing my audit of compliance, I considered Shanti's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Shanti's 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 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited Shanti's financial statements as of and for the year ended June 30, 2013, and have issued my report thereon dated November 12, 2013, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oakland, California
November 12, 2013

Noe and Company

**SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. The type of auditor's report issued on the financial statements of Shanti Project ("Shanti"): Unqualified opinion
2. Internal control over financial reporting:
 - Material weaknesses identified? No.
 - Significant deficiencies identified that are not considered to be material weaknesses? No.
3. Noncompliance which is material to the financial statements: No.

Federal Awards:

1. Internal control over major programs:
 - Material weaknesses identified: No.
 - Significant deficiencies identified that are not considered to be material weaknesses? No.
2. The type of the auditor's report issued on compliance for major federal programs: Unqualified opinion.
3. Any audit findings which are required to be reported under the section 510(a) of OMB Circular A-133: No.
4. The programs tested as major program:

PROGRAM NAME

CFDA No.

HIV Emergency Relief Project Grants

93.914

5. The dollar threshold used to distinguish between type A and type B programs: \$ 300,000.
6. Shanti qualified as a low-risk auditee: Yes.

SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SHANTI PROJECT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

1. There were no prior year audit findings.