

SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2015 and 2014

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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, 2015	4
Statement of Activities - Year Ended June 30, 2014	5
Statement of Functional Expenses - Year Ended June 30, 2015	6
Statement of Functional Expenses - Year Ended June 30, 2014	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 for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by 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, 2015 and 2014, 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, 2015 and 2014, 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 *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 25, 2015, 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 25, 2015

Noe and Company

SHANTI PROJECT
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

Assets:	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 498,584	\$ 112,302
Contracts Receivable	433,130	291,248
Grants Receivable	138,250	325,365
Pledges Receivable	17,614	69,976
Employee Advances	-	450
Prepaid Expenses	<u>4,991</u>	<u>3,917</u>
Total Current Assets	1,092,569	803,258
Property and Equipment, net	-	-
Other Assets:		
Grant Receivable - Long Term	25,042	249,635
Deposits	<u>9,141</u>	<u>9,141</u>
Total Other Assets	<u>34,183</u>	<u>258,776</u>
Total Assets	\$ <u>1,126,752</u>	\$ <u>1,062,034</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 138,890	\$ 162,425
Accrued Payroll and Payroll Taxes	83,301	65,246
Accrued Vacation	104,401	89,616
Other Accrued Liabilities	<u>36,064</u>	<u>36,064</u>
Total Current Liabilities	<u>362,656</u>	<u>353,351</u>
Total Liabilities	362,656	353,351
Net Assets:		
Unrestricted:		
Undesignated	42,793	63,016
Board Designated	<u>100,000</u>	<u>-</u>
Total Unrestricted net Assets	142,793	63,016
Temporarily Restricted	596,303	620,667
Permanently Restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>764,096</u>	<u>708,683</u>
Total Liabilities and Net Assets	\$ <u>1,126,752</u>	\$ <u>1,062,034</u>

See accompanying notes to financial statements

**SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 1,474,982			\$ 1,474,982
Grants	470,634	\$ 332,085		802,719
Legacies and Bequests	70,006			70,006
Contributions	222,990			222,990
Program Service Fees	57,482			57,482
Special Events Revenue	621,572			621,572
Special Events Direct Benefit Costs	(254,029)			(254,029)
Donated Services and Goods	245,278			245,278
Investment Income	32			32
Other Income	3,874			3,874
Net Assets Released from Restrictions	<u>356,449</u>	<u>(356,449)</u>	_____	<u>_____</u>
Total Revenues and Supports	3,269,270	(24,364)	_____	3,244,906
Expenses:				
Program Services:				
HIV/AIDS Services	683,086			683,086
Margot Murphy Women's Cancer Program	846,175			846,175
The L.I.F.E. Program	510,703			510,703
HIV Health Services Planning Council	354,361			354,361
Volunteer Services Program	<u>236,444</u>	_____	_____	<u>236,444</u>
Total Program Services	2,630,769	_____	_____	2,630,769
Supporting Services:				
Management and General	187,507			187,507
Development	<u>371,217</u>	_____	_____	<u>371,217</u>
Total Supporting Services	558,724	_____	_____	558,724
Total Expenses	3,189,493	_____	_____	3,189,493
Change in Net Assets	79,777	(24,364)		55,413
Net Assets, Beginning of the Year	<u>63,016</u>	<u>620,667</u>	\$ <u>25,000</u>	<u>708,683</u>
Net Assets, End of the Year	\$ <u>142,793</u>	\$ <u>596,303</u>	\$ <u>25,000</u>	\$ <u>764,096</u>

See accompanying notes to financial statements

**SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 1,257,861			\$ 1,257,861
Grants	474,976	\$ 595,667		1,070,643
Legacies and Bequests	66,894			66,894
Contributions	229,974			229,974
Program Service Fees	55,259			55,259
Special Events Revenue	538,277			538,277
Special Events Direct Benefit Costs	(173,981)			(173,981)
Donated Services and Goods	272,554			272,554
Investment Income	18			18
Net Assets Released from Restrictions	<u>221,671</u>	<u>(221,671)</u>	_____	<u>_____</u>
Total Revenues and Supports	2,943,503	373,996	_____	3,317,499
Expenses:				
Program Services:				
HIV/AIDS Services	566,310			566,310
Margot Murphy Women's Cancer Program	574,142			574,142
The L.I.F.E. Program	553,493			553,493
HIV Health Services Planning Council	358,340			358,340
Volunteer Services Program	<u>223,163</u>	_____	_____	<u>223,163</u>
Total Program Services	2,275,448	_____	_____	2,275,448
Supporting Services:				
Management and General	158,266			158,266
Development	<u>425,435</u>	_____	_____	<u>425,435</u>
Total Supporting Services	583,701	_____	_____	583,701
Total Expenses	2,859,149	_____	_____	2,859,149
Change in Net Assets	84,354	373,996		458,350
Net Assets, Beginning of the Year	<u>(21,338)</u>	<u>246,671</u>	\$ <u>25,000</u>	<u>250,333</u>
Net Assets, End of the Year	\$ <u>63,016</u>	\$ <u>620,667</u>	\$ <u>25,000</u>	\$ <u>708,683</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	HIV/AIDS Services	Margot Murphy Women's 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	\$ 399,051	\$ 474,255	\$ 319,897	\$ 239,398	\$ 7,840	\$ 1,440,441	\$ 91,427	\$ 247,582	\$ 339,009	\$ 1,779,450
Payroll Taxes	33,981	44,681	26,072	19,778	738	125,250	2,862	20,561	23,423	148,673
Benefits	45,373	56,552	20,515	25,960	754	149,154	7,324	29,554	36,878	186,032
Contract Services	107,495	163,334	31,970	29,941	1,225	333,965	48,288	25,980	74,268	408,233
Donated Services and Goods	33,272	1,275	-	-	210,731	245,278	-	-	-	245,278
Program Expenses	13,785	49,886	24,457	-	939	89,067	-	-	-	89,067
Travel	7,541	8,652	17,451	5,766	3,010	42,420	17,679	5,246	22,925	65,345
Conference and Meeting	3,495	-	23,672	11,117	7,293	45,577	1,351	-	1,351	46,928
Staff Development	874	1,824	792	-	1,690	5,180	569	3,174	3,743	8,923
Telephone	2,520	3,004	2,033	1,521	48	9,126	636	1,576	2,212	11,338
Postage and Shipping	54	65	2,203	26	1	2,349	944	4,842	5,786	8,135
Printing and Duplication	2,207	4,162	10,002	1,123	64	17,558	779	9,359	10,138	27,696
Dues and Subscription	1,875	-	45	1,000	-	2,920	210	1,119	1,329	4,249
Licenses and Fees	-	-	15	-	-	15	700	2,194	2,894	2,909
Supplies	7,359	8,058	5,147	3,822	1,551	25,937	2,893	3,879	6,772	32,709
Occupancy	17,496	20,853	14,114	10,560	334	63,357	5,253	10,939	16,192	79,549
Equipment Rental and Maintenance	3,363	4,009	2,713	2,030	64	12,179	664	2,103	2,767	14,946
Insurance	3,345	3,987	2,699	2,019	64	12,114	(851)	2,091	1,240	13,354
Bank Charges	-	200	15	300	-	515	6,763	301	7,064	7,579
Miscellaneous	-	1,378	6,891	-	98	8,367	16	717	733	9,100
Total Expenses	\$ 683,086	\$ 846,175	\$ 510,703	\$ 354,361	\$ 236,444	\$ 2,630,769	\$ 187,507	\$ 371,217	\$ 558,724	\$ 3,189,493

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	HIV/AIDS Services	Margot Murphy Women's 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	\$ 276,114	\$ 290,478	\$ 350,365	\$ 240,715	\$ 6,136	\$ 1,163,808	\$ 78,764	\$ 271,937	\$ 350,701	\$ 1,514,509
Payroll Taxes	23,744	24,925	29,404	21,075	490	99,638	5,594	23,436	29,030	128,668
Benefits	27,719	29,281	27,199	27,894	836	112,929	5,121	27,347	32,468	145,397
Contract Services	100,832	150,316	57,438	27,825	684	337,095	38,541	38,389	76,930	414,025
Donated Services and Goods	80,883	-	-	-	191,671	272,554	-	-	-	272,554
Program Expenses	5,453	30,197	16,042	-	4,506	56,198	2,590	1,051	3,641	59,839
Travel	6,475	9,708	11,589	3,673	3,913	35,358	6,491	11,823	18,314	53,672
Conference and Meeting	11,305	2,070	9,612	11,110	11,453	45,550	7,833	3,438	11,271	56,821
Staff Development	586	4,374	-	-	150	5,110	149	1,608	1,757	6,867
Telephone	1,810	1,977	2,445	2,110	45	8,387	1,031	1,836	2,867	11,254
Postage and Shipping	83	247	2,585	75	2	2,992	2,345	1,750	4,095	7,087
Printing and Duplication	2,846	5,273	14,083	1,227	29	23,458	551	9,727	10,278	33,736
Dues and Subscription	875	-	-	1,000	454	2,329	165	1,025	1,190	3,519
Licenses and Fees	5	6	2,487	405	-	2,903	637	1,257	1,894	4,797
Supplies	9,315	4,972	5,845	4,839	1,884	26,855	1,336	6,210	7,546	34,401
Occupancy	13,167	14,380	17,781	11,970	329	57,627	4,027	13,162	17,189	74,816
Equipment Rental and Maintenance	2,657	2,902	3,589	2,416	66	11,630	813	2,656	3,469	15,099
Insurance	2,153	2,352	2,908	1,958	54	9,425	(1,799)	2,153	354	9,779
Bank Charges	5	1	-	-	-	6	4,274	446	4,720	4,726
Miscellaneous	283	683	121	48	461	1,596	(197)	6,184	5,987	7,583
Total Expenses	\$ 566,310	\$ 574,142	\$ 553,493	\$ 358,340	\$ 223,163	\$ 2,275,448	\$ 158,266	\$ 425,435	\$ 583,701	\$ 2,859,149

See accompanying notes to financial statements.

**SHANTI PROJECT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Activities:		
Change in Net Assets	\$ 55,413	\$ 458,350
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	(141,882)	(47,004)
Decrease (Increase) in Grants Receivable	411,708	(348,895)
Decrease (Increase) in Pledges Receivable	52,362	(68,913)
Decrease (Increase) in Employee Advances	450	(9)
Decrease (Increase) in Prepaid Expenses	(1,074)	535
Increase (Decrease) in Accounts Payable	(23,535)	4,827
Increase in Accrued Payroll and Payroll Taxes	18,055	8,558
Increase in Accrued Vacation	14,785	13,092
Decrease in Other Accrued Liabilities	<u>-</u>	<u>(1,470)</u>
Net Cash Provided by Operating Activities	<u>386,282</u>	<u>19,071</u>
Net Increase (Decrease) in Cash and Cash Equivalents	386,282	19,071
Cash and Cash Equivalents, Beginning of Year	<u>112,302</u>	<u>93,231</u>
Cash and Cash Equivalents, End of Year	\$ <u>498,584</u>	\$ <u>112,302</u>
 Supplemental Disclosure of Cash Flow Information:		
Donated Services and Goods	\$ <u>245,278</u>	\$ <u>272,554</u>

See accompanying notes to financial statements

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 400 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. Shanti’s HIV Services program 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, 2015 and 2014

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 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 to the Council 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 program 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 Women's Cancer Program

Shanti's Margot Murphy Women's Cancer Program (hereafter Women's Cancer Program) was established in 2001 as a breast cancer program 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, Limited English Proficient, and/or from immigrant populations. To address this, Women's Cancer Program has prioritized this population of women diagnosed with breast cancer.

Today, the Women's Cancer Program serves over 450 physically, linguistically, and culturally isolated clients annually, providing critically needed care navigation services for clients in treatment and Health and Wellness activities for all clients in treatment and in survivorship. Since its inception, the program has been contractually integrated into the SFDPH'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 many 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. Shanti receives 100-120 new client referrals annually; local partner hospitals (BCCS-SFGH, UCSF-Mt. Zion, Kaiser-SF, and California Pacific Medical Center) refer 91%, and 9% are self-referred.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

1. ORGANIZATION (Continued)

Margot Murphy Women's Cancer Program (Continued)

Shanti's Women's Cancer Program is unique among care navigation services for cancer patients and survivors in San Francisco because it provides services in non-clinical settings, including clients' homes, and Shanti's office; we also accompany clients to doctor's appointments and make visits in hospital rooms. Integral to the program's success is the staff's ability to provide all interactions with clients 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.

In addition, Shanti also has a program for Gay/Bi/Queer/Trans Men who have been diagnosed with cancer, are living with cancer, or are survivors of cancer. The ongoing support group meets twice monthly, and is facilitated by volunteers. This is the only such group targeting gay men with any type of cancer in San Francisco.

The L.I.F.E. Program

The L.I.F.E. (Learning Immune Function Enhancement) Program promotes the health of persons living with HIV through an evidence-based approach to health education and peer support, based on the latest research in health-enhancing practices of long-term HIV survivors. Participants of the L.I.F.E. Program gain the knowledge, motivation and skills to self-manage their health. Services include individual counseling, multi-session workshops, 1-day seminars, bi-annual weekend retreats, weekly yoga, and on-going community-building events.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

1. ORGANIZATION (Continued)

The L.I.F.E. Program (Continued)

The L.I.F.E. Program is offered in San Francisco by Shanti, as well as at three sites in the U.S. where we provide updated curriculum, implementation support (including tailored marketing materials), technical assistance, easily accessible web-based outcome measures, and outcome analysis. Training for facilitators is offered annually in San Francisco or on location at sites throughout the country for community-based organizations and government agencies that wish to implement multi-session L.I.F.E. Program workshops.

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 12,000 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. Alumni from Shanti's Volunteer Program, a group numbering more than 18,000 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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 45% and 38% of its revenue from governmental sources during the years ended June 30, 2015 and 2014, respectively.

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. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, Shanti considers all highly liquid investments purchased with maturities of three months or less at the date of acquisition to be cash equivalents.

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.

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.

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014, the value of contributed services included in the accompanying statement of activities amounted to \$210,286 and \$191,021, respectively. Local arts and entertainment organizations and various corporations contributed \$34,992 and \$81,533 in the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014 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.

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Shanti has evaluated subsequent events through November 25, 2015, which is the date the financial statements were available to be issued.

3. CONTRACTS RECEIVABLE

A summary of contracts receivable as of June 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
City and County of San Francisco	\$ 397,743	\$ 250,077
The San Francisco AIDS Foundation	30,667	30,773
Others	<u>4,720</u>	<u>10,398</u>
Total	\$ <u>433,130</u>	\$ <u>291,248</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</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, 2015 and 2014.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

6. REVOLVING LINE OF CREDIT

Shanti had a revolving line of credit of \$80,000 at June 30, 2015. The line of credit had no outstanding balance at June 30, 2015 or June 30, 2014. 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 August 10, 2016.

7. OPERATING LEASES

Shanti has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$141 to \$6,307. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2015, are as follows:

Year Ending June 30,	
2016	\$ 80,324
2017	<u>75,684</u>
Total	\$ <u>156,008</u>

Rent expenses amounted to \$79,549 and \$74,816 for the years ended June 30, 2015 and 2014, respectively.

8. 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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

9. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Margot Murphy Women's Cancer Program	\$ 521,102	\$ 595,667
HIV/AIDS Services	25,201	-
The L.I.F.E. Program	<u>50,000</u>	<u>25,000</u>
Total	\$ <u>596,303</u>	\$ <u>620,667</u>

10. 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, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Margot Murphy Women's Cancer Program	\$ 331,449	\$ 200,000
The L.I.F.E. Program	25,000	19,510
HIV/AIDS Services	<u>-</u>	<u>2,161</u>
Total	\$ <u>356,449</u>	\$ <u>221,671</u>

11. SUBSEQUENT EVENT

On July 15, 2015, the board of directors adopted a resolution authorizing a letter of intent for proposing a merger of Pets Are Wonderful Support (PAWS), a California nonprofit corporation, on November 17, 2015. All assets and liabilities of PAWS at the time of the merger were transferred to Shanti.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

12. 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.

Changes in endowment net assets for the year ended June 30, 2015 consist of the following:

	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2014	\$ 51	\$ -	\$ 25,000	\$ 25,051
Investment Income	2	-	-	2
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2015	\$ <u>53</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,053</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

12. ENDOWMENT FUND (Continued)

Changes in endowment net assets for the year ended June 30, 2014 consist of the following:

	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2013	\$ 46	\$ -	\$ 25,000	\$ 25,046
Investment Income	5	-	-	5
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2014	\$ <u>51</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,051</u>

SUPPLEMENTARY INFORMATION

SHANTI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity 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	HCPD13/1401	3/1/14-2/28/15	\$ 325,485	\$ 226,950	\$ 226,950
HIV Health Services	93.914	HCPD13/1501	3/1/15-2/29/16	325,485	109,060	109,060
Westside Integrated Case Management	93.914	HCPD13/1401	3/1/14-2/28/15	135,789	89,063	89,063
Westside Integrated Case Management	93.914	HCPD13/1501	3/1/15-2/29/16	135,789	53,478	53,478
Emotional and Practical Support Services	93.914	HCPD13/1401	3/1/14-2/28/15	192,243	120,457	120,457
Emotional and Practical Support Services	93.914	HCPD13/1501	3/1/15-2/29/16	192,243	<u>164,424</u>	<u>164,424</u>
Total U.S. Department of Health and Human Services					<u>763,432</u>	<u>763,432</u>
Total Federal Awards					<u>\$ 763,432</u>	<u>\$ 763,432</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, 2015

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"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements , I considered Shanti's internal control over financial reporting (internal control) 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. Accordingly, I do not express 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. 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 25, 2015

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 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 *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, 2015. 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, 2015.

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, 2015, and have issued my report thereon dated November 25, 2015, 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 25, 2015

Noe and Company

SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

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"): Unmodified opinion
2. Internal control over financial reporting:
 - Material weaknesses identified? No.
 - Significant deficiencies identified? 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? No.
2. The type of the auditor's report issued on compliance for major federal programs: Unmodified opinion.
3. Any audit findings disclosed that are required to be reported in accordance with the section 510(a) of OMB Circular A-133: No.
4. Identification of major programs:

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. Auditee qualified as a low-risk auditee: Yes.

SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2015

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, 2015**

1. There were no prior year audit findings.