

SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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 the entity'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 the entity'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, 2016 and 2015, 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

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 11, 2016, 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.

Noe and Company

Oakland, California
November 11, 2016

SHANTI PROJECT
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

Assets:	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents		
Contracts Receivable	\$ 500,338	\$ 498,584
Grants Receivable	580,142	433,130
Pledges Receivable	103,500	138,250
Inventory	34,668	17,614
Prepaid Expenses	16,094	-
Total Current Assets	<u>1,246,843</u>	<u>1,092,569</u>
Property and Equipment, net	1,933,021	-
Other Assets:		
Grant Receivable - Long Term		
Loan Costs, net	25,042	25,042
Deposits	12,060	-
Total Other Assets	<u>9,141</u>	<u>9,141</u>
	<u>46,243</u>	<u>34,183</u>
Total Assets	<u>\$ 3,226,107</u>	<u>\$ 1,126,752</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable		
Accrued Payroll and Payroll Taxes	\$ 233,737	\$ 138,890
Accrued Vacation	119,984	83,301
Other Accrued Liabilities	156,385	104,401
Note Payable, current portion	36,064	36,064
Total Current Liabilities	<u>25,734</u>	<u>-</u>
	571,904	362,656
Note Payable, long-term portion		
	<u>1,094,137</u>	<u>-</u>
Total Liabilities	1,666,041	362,656
Net Assets:		
Unrestricted:		
Undesignated		
Board Designated	904,072	42,793
Total Unrestricted net Assets	<u>304,856</u>	<u>100,000</u>
	1,208,928	142,793
Temporarily Restricted		
Permanently Restricted	326,138	596,303
Total Net Assets	<u>25,000</u>	<u>25,000</u>
	<u>1,560,066</u>	<u>764,096</u>
Total Liabilities and Net Assets	<u>\$ 3,226,107</u>	<u>\$ 1,126,752</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 1,928,385			\$ 1,928,385
Grants	705,526	\$ 181,584		887,110
Legacies and Bequests	54,856			54,856
Contributions	274,491			274,491
Program Service Fees	191,180			191,180
Special Events Revenue	723,792			723,792
Special Events Direct Benefit Costs	(304,133)			(304,133)
Donated Services and Goods	496,654			496,654
Investment Income	556			556
Other Income	4,331			4,331
Net Assets Released from Restrictions	<u>531,632</u>	<u>(531,632)</u>		
Total Revenues and Supports	<u>4,607,270</u>	<u>(350,048)</u>		<u>4,257,222</u>
Expenses:				
Program Services:				
HIV Services	1,038,347			1,038,347
The L.I.F.E. Program	504,888			504,888
HIV Health Services Planning Council Support	363,546			363,546
Margot Murphy Women's Cancer Program	1,110,511			1,110,511
Pets Are Wonderful Support	431,684			431,684
Volunteer Services Program	268,240			268,240
Peer Advocate Care Team	<u>131,393</u>			<u>131,393</u>
Total Program Services	<u>3,848,609</u>			<u>3,848,609</u>
Supporting Services:				
Management and General	304,656			304,656
Development	<u>462,937</u>			<u>462,937</u>
Total Supporting Services	<u>767,593</u>			<u>767,593</u>
Total Expenses	<u>4,616,202</u>			<u>4,616,202</u>
Change in Net Assets	(8,932)	(350,048)		(358,980)
Transferred from PAWS	1,075,067	79,883		1,154,950
Net Assets, Beginning of the Year	<u>142,793</u>	<u>596,303</u>	\$ <u>25,000</u>	<u>764,096</u>
Net Assets, End of the Year	\$ <u>1,208,928</u>	\$ <u>326,138</u>	\$ <u>25,000</u>	\$ <u>1,560,066</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>		
Total Revenues and Supports	<u>3,269,270</u>	<u>(24,364)</u>		<u>3,244,906</u>
Expenses:				
Program Services:				
HIV Services	683,086			683,086
The L.I.F.E. Program	510,703			510,703
HIV Health Services Planning Council Support	354,361			354,361
Margot Murphy Women's Cancer Program	846,175			846,175
Volunteer Services Program	<u>236,444</u>			<u>236,444</u>
Total Program Services	<u>2,630,769</u>			<u>2,630,769</u>
Supporting Services:				
Management and General	187,507			187,507
Development	<u>371,217</u>			<u>371,217</u>
Total Supporting Services	<u>558,724</u>			<u>558,724</u>
Total Expenses	<u>3,189,493</u>			<u>3,189,493</u>
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 FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	HIV Services	The L.I.F.E. Program	HIV Health Services Planning Council Support	Margot Murphy Women's Cancer Program	Pets Are Wonderful Support	Volunteer Services Program	Peer Advocate Care Team	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 566,380	\$ 347,762	\$ 255,253	\$ 607,557	\$ 183,693	\$ 9,572	\$ 105,250	\$ 2,075,467	\$ 78,291	\$ 297,086	\$ 375,377	\$ 2,450,844
Payroll Taxes	46,436	27,749	20,509	49,845	17,425	673	8,611	171,248	6,037	23,909	29,946	201,194
Benefits	57,705	24,312	22,508	70,253	12,186	667	4,718	192,349	8,419	29,627	38,046	230,395
Contract Services	103,582	29,042	25,754	175,998	11,435	1,777	2,547	350,135	56,777	30,381	87,158	437,293
Merger Expenses	-	-	-	-	-	-	-	-	59,168	-	59,168	59,168
Donated Services and Goods	168,961	-	-	-	81,972	225,132	-	476,065	15,375	-	15,375	491,440
Program Expenses	9,230	23,490	-	119,534	53,903	400	150	206,707	3,128	675	3,803	210,510
Travel	13,216	5,079	4,621	20,027	521	2,927	2,002	48,393	15,079	4,927	20,006	68,399
Conference and Meeting	3,656	4,200	9,867	2,598	96	22,099	438	42,954	20,680	3,877	24,557	67,511
Staff Development	2,807	1,835	-	1,507	199	723	-	7,071	2,983	2,915	5,898	12,969
Telephone	8,087	4,963	3,667	8,649	2,650	152	1,613	29,781	1,488	4,200	5,688	35,469
Postage and Shipping	275	847	117	703	418	18	80	2,458	524	2,998	3,522	5,980
Printing and Duplication	2,025	8,202	483	3,198	1,837	1,081	121	16,947	140	8,039	8,179	25,126
Dues and Subscription	875	-	1,000	-	-	250	-	2,125	3,818	60	3,878	6,003
Licenses and Fees	9	680	172	116	2,128	26	1	3,132	5,766	8,468	14,234	17,366
Supplies	11,193	5,831	4,107	10,192	3,624	1,614	2,117	38,678	4,561	6,546	11,107	49,785
Occupancy	22,125	14,669	10,256	23,822	7,985	332	1,444	80,633	3,906	11,218	15,124	95,757
Equipment Rental and Maintenance	5,147	3,163	2,294	5,509	1,669	100	1,103	18,985	696	2,712	3,408	22,393
Insurance	4,838	2,974	2,125	5,335	1,652	87	1,198	18,209	2,266	2,708	4,974	23,183
Bank Charges	45	90	326	18	71	78	-	628	9,937	1,743	11,680	12,308
Interest Expenses	3,883	-	-	1,813	18,132	161	-	23,989	-	7,857	7,857	31,846
Depreciation and Amortization	7,582	-	-	3,260	30,088	266	-	41,196	-	12,020	12,020	53,216
Miscellaneous	290	-	487	577	-	105	-	1,459	5,617	971	6,588	8,047
Total Expenses	\$ 1,038,347	\$ 504,888	\$ 363,546	\$ 1,110,511	\$ 431,684	\$ 268,240	\$ 131,393	\$ 3,848,609	\$ 304,656	\$ 462,937	\$ 767,593	\$ 4,616,202

See accompanying notes to financial statements.

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

	HIV Services	The L.I.F.E. Program	HIV Health Services Planning Council Support	Margot Murphy Women's Cancer Program	Volunteer Services Program	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 399,051	\$ 319,897	\$ 239,398	\$ 474,255	\$ 7,840	\$ 1,440,441	\$ 91,427	\$ 247,582	\$ 339,009	\$ 1,779,450
Payroll Taxes	33,981	26,072	19,778	44,681	738	125,250	2,862	20,561	23,423	148,673
Benefits	45,373	20,515	25,960	56,552	754	149,154	7,324	29,554	36,878	186,032
Contract Services	107,495	31,970	29,941	163,334	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	24,457	-	49,886	939	89,067	-	-	-	89,067
Travel	7,541	17,451	5,766	8,652	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	792	-	1,824	1,690	5,180	569	3,174	3,743	8,923
Telephone	2,520	2,033	1,521	3,004	48	9,126	636	1,576	2,212	11,338
Postage and Shipping	54	2,203	26	65	1	2,349	944	4,842	5,786	8,135
Printing and Duplication	2,207	10,002	1,123	4,162	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	5,147	3,822	8,058	1,551	25,937	2,893	3,879	6,772	32,709
Occupancy	17,496	14,114	10,560	20,853	334	63,357	5,253	10,939	16,192	79,549
Equipment Rental and Maintenance	3,363	2,713	2,030	4,009	64	12,179	664	2,103	2,767	14,946
Insurance	3,345	2,699	2,019	3,987	64	12,114	(851)	2,091	1,240	13,354
Bank Charges	-	15	300	200	-	515	6,763	301	7,064	7,579
Miscellaneous	-	6,891	-	1,378	98	8,367	16	717	733	9,100
Total Expenses	\$ 683,086	\$ 510,703	\$ 354,361	\$ 846,175	\$ 236,444	\$ 2,630,769	\$ 187,507	\$ 371,217	\$ 558,724	\$ 3,189,493

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (358,980)	\$ 55,413
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used in) by Operating Activities:		
Depreciation and Amortization	53,216	-
Transferred Property and Equipment from PAWS, net	(1,986,237)	-
Transferred Net Assets from PAWS	1,154,950	-
Changes in Operating Assets and Liabilities:		
Increase in Contracts Receivable	(147,012)	(141,882)
Decrease in Grants Receivable	34,750	411,708
Decrease (Increase) in Pledges Receivable	(17,054)	52,362
Decrease in Employee Advances	-	450
Increase in Inventory	(16,094)	-
Increase in Prepaid Expenses	(7,110)	(1,074)
Increase in Loan Costs	(12,060)	-
Increase (Decrease) in Accounts Payable	94,847	(23,535)
Increase in Accrued Payroll and Payroll Taxes	36,683	18,055
Increase in Accrued Vacation	51,984	14,785
Net Cash Provided by (Used in) Operating Activities	<u>(1,118,117)</u>	<u>386,282</u>
Cash Flows From Financing Activities:		
Proceeds from Note Payable	1,135,000	-
Principal Payments on Note Payable	<u>(15,129)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>1,119,871</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	1,754	386,282
Cash and Cash Equivalents, Beginning of Year	<u>498,584</u>	<u>112,302</u>
Cash and Cash Equivalents, End of Year	\$ <u>500,338</u>	\$ <u>498,584</u>
Supplemental Disclosure of Cash Flow Information:		
Donated Services and Goods	\$ <u>496,654</u>	\$ <u>245,278</u>

See accompanying notes to financial statements

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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 2,700 men and women living with HIV/AIDS, cancer and other life threatening illnesses, 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 Services

Shanti’s HIV Services program targets San Francisco's most challenged and at-risk HIV+ and HCV+ communities. 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 maintains direct linkages with the range of medical, mental health, and social service agencies within the San Francisco continuum of care. In 2015 Shanti added a new program for HIV Senior Services which provides emotional and practical support and group services to individuals over the age of 50 living with HIV.

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 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. 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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

1. ORGANIZATION (Continued)

HIV Health Services Planning Council Support Program

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 was established in 2001 as a breast cancer program to mitigate factors that lead to a disproportionate rate of breast cancer mortality among women who are low- income, limited English proficient, and/or from immigrant populations. Today the Women's Cancer Program provides services for this population of women with all types of cancer. Services include 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, 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.

Pets Are Wonderful Support (PAWS)

Shanti's PAWS program provides three tiers of services to clients which are determined by the severity of need based on both the functionality of the clients and the pets. Client services include Care Navigation, home based practical and emotional support as well as client/pet social activities. Pet services include food bank services (service-site and home delivery), veterinary services (financial subsidies for preventive and emergency services), pet care (dog walking, cat-care, emergency foster care, transportation, and full-service dog grooming).

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

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 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. Further, our Volunteer Services Program coordinates all volunteerism components of the PAWS program; including volunteer training centered on effective animal care strategies.

Peer Advocate Care Team (PACT)

The PACT program, a Shanti collaboration with Bridge Housing, is a housing stability program that is part of the city's HOPE SF revitalization project of the public housing on Potrero Hill. This program uses interventions based on the Shanti Model of Peer Support™ to engage residents in the revitalization initiative as a way to ensure that they are stably housed during the refurbishment of the housing.

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Revenue

Shanti received approximately 45% of its revenue from governmental sources during the years ended June 30, 2016 and 2015.

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.

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at cost using primarily the first-in, first-out method. Inventories consist principally of pet foods and pet supplies.

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, 2016 and 2015

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, 2016 and 2015, the value of contributed services included in the accompanying statement of activities amounted to \$295,346 and \$210,286, respectively. Local arts and entertainment organizations and various corporations contributed \$201,308 and \$34,992 in the fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015 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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11, 2016, which is the date the financial statements were available to be issued.

3. CONTRACTS RECEIVABLE

A summary of contracts receivable as of June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
City and County of San Francisco	\$ 544,042	\$ 397,743
The San Francisco AIDS Foundation	18,477	30,667
Bridge Housing	16,612	-
Others	<u>1,011</u>	<u>4,720</u>
Total	\$ <u>580,142</u>	\$ <u>433,130</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 702,735	\$ -
Building	1,543,247	-
Furniture and Equipment	219,746	71,846
Leasehold Improvements	<u>-</u>	<u>1,700</u>
Total Property and Equipment	2,465,728	73,546
Less: Accumulated Depreciation	<u>(532,707)</u>	<u>(73,546)</u>
Net Property and Equipment	\$ <u>1,933,021</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, 2016 and 2015.

6. REVOLVING LINE OF CREDIT

Shanti had a revolving line of credit of \$130,000 at June 30, 2016, which was subsequently raised to \$250,000. The line of credit had no outstanding balance at June 30, 2016 or June 30, 2015. 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, 2017.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

7. OPERATING LEASES

Shanti has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$141 to \$6,648. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2016, are as follows:

Year Ending June 30,	
2017	\$ 96,468
2018	19,452
2019	19,452
2020	17,349
2021	11,040
Thereafter	<u>2,760</u>
Total	\$ <u>166,521</u>

Rent expenses amounted to \$83,061 and \$79,549 for the years ended June 30, 2016 and 2015, 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.

9. LOAN COSTS

In December 2015, Shanti paid \$12,695 in closing costs on a note payable. These costs are amortized using the straight-line method over the 10 year term of the loan. Amortized loan costs in the fiscal year 2016 was \$635.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

10. NOTE PAYABLE

The following is a summary of the note payable:

	<u>2016</u>	<u>2015</u>
Note payable to United American Bank in monthly installments of \$6,351 with interest rate at 4.5% through December 2025, secured by real property.	\$ <u>1,119,871</u>	\$ <u> -</u>

The future scheduled maturities of long-term debt are as follows:

Year Ending June 30:

2017		\$ 25,734
2018		26,848
2019		28,099
2020		29,278
2021		30,772
Thereafter		<u>979,140</u>
Total		\$ <u>1,119,871</u>

11. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Margot Murphy Women's Cancer Program	\$ 259,449	\$ 521,102
HIV Services	66,689	25,201
The L.I.F.E. Program	<u> -</u>	<u>50,000</u>
Total	\$ <u>326,138</u>	\$ <u>596,303</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

12. 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, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Margot Murphy Women’s Cancer Program	\$ 376,837	\$ 331,449
The L.I.F.E. Program	50,000	25,000
HIV Services	24,912	-
Pets Are Wonderful Support	<u>79,883</u>	<u>-</u>
Total	\$ <u>531,632</u>	\$ <u>356,449</u>

13. PAWS Merger

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. The merger was accounted for as a “carryover method”. All assets and liabilities of PAWS at the time of the merger were transferred to Shanti.

The transferred assets, liabilities and net assets at the time of the merger were as follows:

Assets	\$ 2,033,055
Liabilities	<u>(878,105)</u>
Net Assets	\$ <u>1,154,950</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

14. 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, 2016 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, 2015	\$ 53	\$ -	\$ 25,000	\$ 25,053
Investment Income	3	-	-	3
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2016	\$ <u>56</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,056</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

14. ENDOWMENT FUND (Continued)

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>

SUPPLEMENTARY INFORMATION

SHANTI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

<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	HCPD13/1601	3/1/16-2/28/17	\$ 336,877	\$ 111,590	\$ 111,590
HIV Health Services	93.914	HCPD13/1501	3/1/15-2/29/16	336,877	227,817	227,817
Westside Integrated Case Management	93.914	HCPD13/1601	3/1/16-2/28/17	140,542	54,855	54,855
Westside Integrated Case Management	93.914	HCPD13/1501	3/1/15-2/29/16	140,542	87,064	87,064
Emotional and Practical Support Services	93.914	HCPD13/1601	3/1/16-2/28/17	358,972	120,750	120,750
Emotional and Practical Support Services	93.914	HCPD13/1501	3/1/15-2/29/16	358,972	294,547	294,547
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13/1601	3/1/16-2/28/17	100,000	34,336	34,336
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13/1501	3/1/15-2/29/16	100,000	<u>100,000</u>	<u>100,000</u>
Total U.S. Department of Health and Human Services					<u>1,030,959</u>	<u>1,030,959</u>
Total Federal Awards					<u>\$ 1,030,959</u>	<u>\$ 1,030,959</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, 2016

Note 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Shanti Project (“Shanti”) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shanti, it is not intended to and does not present the financial position, changes in net assets or cash flows of Shanti.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Uniform Guidance for the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



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, 2016, 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 11, 2016.

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 the entity'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 the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Noe and Company

Oakland, California
November 11, 2016



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 the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on each of Shanti’s major federal programs for the year ended June 30, 2016. 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 federal statues, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited Shanti's financial statements as of and for the year ended June 30, 2016, and have issued my report thereon dated November 11, 2016, 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 the Uniform Guidance 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.

Noe and Company

Oakland, California
November 11, 2016

**SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016**

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 Uniform Guidance: 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: \$ 750,000.
6. Auditee qualified as a low-risk auditee: Yes.

SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2016

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, 2016**

1. There were no prior year audit findings.