

SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2018 and 2017

**SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2018 and 2017**

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, 2018	4
Statement of Activities - Year Ended June 30, 2017	5
Statement of Functional Expenses - Year Ended June 30, 2018	6
Statement of Functional Expenses - Year Ended June 30, 2017	7
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
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>	25
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	27
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings	32



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, 2018 and 2017, 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, 2018 and 2017, 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 20, 2018, 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 solely 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 the effectiveness of the Shanti's 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 20, 2018

SHANTI PROJECT
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

Assets:	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash	\$ 387,646	\$ 549,097
Contracts Receivable	674,765	482,841
Grants Receivable	170,441	223,042
Pledges Receivable	9,250	3,581
Employee Advances	545	-
Inventory	67,691	44,268
Prepaid Expenses	<u>87,426</u>	<u>230,903</u>
Total Current Assets	1,397,764	1,533,732
Property and Equipment, net	1,795,770	1,848,911
Other Assets:		
Loan Costs, net	9,521	10,791
Deposits	<u>8,500</u>	<u>8,500</u>
Total Other Assets	<u>18,021</u>	<u>19,291</u>
Total Assets	\$ <u>3,211,555</u>	\$ <u>3,401,934</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 196,501	\$ 292,613
Accrued Payroll and Payroll Taxes	120,700	140,407
Accrued Vacation	191,345	174,866
Other Accrued Liabilities	36,083	36,064
Deferred Revenue	85,000	-
Line of Credit	100,000	-
Note Payable, current portion	<u>27,994</u>	<u>25,338</u>
Total Current Liabilities	757,623	669,288
Note Payable, long-term portion	<u>1,041,572</u>	<u>1,068,733</u>
Total Liabilities	1,799,195	1,738,021
Net Assets:		
Unrestricted:		
Undesignated	1,053,424	825,417
Board Designated	<u>-</u>	<u>501,746</u>
Total Unrestricted net Assets	1,053,424	1,327,163
Temporarily Restricted	333,936	311,750
Permanently Restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>1,412,360</u>	<u>1,663,913</u>
Total Liabilities and Net Assets	\$ <u>3,211,555</u>	\$ <u>3,401,934</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 3,134,608			\$ 3,134,608
Grants	768,876	\$ 308,936		1,077,812
Legacies and Bequests	129,243			129,243
Contributions	302,980			302,980
Program Service Fees	244,144			244,144
Special Events Revenue, net	411,646			411,646
Donated Services and Goods	517,875			517,875
Investment Income	283			283
Other Income	11,845			11,845
Net Assets Released from Restrictions	<u>286,750</u>	<u>(286,750)</u>		
Total Revenues and Supports	5,808,250	22,186		5,830,436
Expenses:				
Program Services:				
HIV Services	1,117,534			1,117,534
The L.I.F.E. Program	467,018			467,018
HIV Health Services Planning Council Support	383,126			383,126
Margot Murphy Women's Cancer Program	1,215,043			1,215,043
Pets Are Wonderful Support	495,210			495,210
Volunteer Services Program	334,914			334,914
Peer Advocate Care Team	341,912			341,912
LGBT Aging and Abilities Support Network	<u>646,821</u>			<u>646,821</u>
Total Program Services	5,001,578			5,001,578
Supporting Services:				
Management and General	484,226			484,226
Development	<u>596,185</u>			<u>596,185</u>
Total Supporting Services	1,080,411			1,080,411
Total Expenses	6,081,989			6,081,989
Change in Net Assets	(273,739)	22,186	-	(251,553)
Net Assets, Beginning of the Year	<u>1,327,163</u>	<u>311,750</u>	<u>\$ 25,000</u>	<u>1,663,913</u>
Net Assets, End of the Year	\$ <u>1,053,424</u>	\$ <u>333,936</u>	\$ <u>25,000</u>	\$ <u>1,412,360</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Supports:				
Governmental Contracts	\$ 2,463,346			\$ 2,463,346
Grants	845,441	\$ 264,750		1,110,191
Legacies and Bequests	286,890			286,890
Contributions	344,646			344,646
Program Service Fees	218,035			218,035
Special Events Revenue, net	421,383			421,383
Donated Services and Goods	599,528			599,528
Investment Income	1,800			1,800
Net Assets Released from Restrictions	<u>279,138</u>	<u>(279,138)</u>		
Total Revenues and Supports	5,460,207	(14,388)		5,445,819
Expenses:				
Program Services:				
HIV Services	980,955			980,955
The L.I.F.E. Program	455,231			455,231
HIV Health Services Planning Council Support	368,631			368,631
Margot Murphy Women's Cancer Program	954,693			954,693
Pets Are Wonderful Support	476,448			476,448
Volunteer Services Program	340,902			340,902
Peer Advocate Care Team	195,276			195,276
LGBT Aging and Abilities Support Network	<u>527,673</u>			<u>527,673</u>
Total Program Services	4,299,809			4,299,809
Supporting Services:				
Management and General	462,713			462,713
Development	<u>579,450</u>			<u>579,450</u>
Total Supporting Services	1,042,163			1,042,163
Total Expenses	5,341,972			5,341,972
Change in Net Assets	118,235	(14,388)	-	103,847
Net Assets, Beginning of the Year	<u>1,208,928</u>	<u>326,138</u>	\$ <u>25,000</u>	<u>1,560,066</u>
Net Assets, End of the Year	\$ <u>1,327,163</u>	\$ <u>311,750</u>	\$ <u>25,000</u>	\$ <u>1,663,913</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	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	LGBT Aging and Abilities Support Network	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 627,827	\$ 308,114	\$ 280,124	\$ 673,643	\$ 82,982	\$ 44,646	\$ 224,487	\$ 386,379	\$ 2,628,202	\$ 159,355	\$ 278,772	\$ 438,127	\$ 3,066,329
Payroll Taxes	51,467	25,072	22,622	55,928	5,799	3,667	18,431	31,441	214,427	9,630	21,921	31,551	245,978
Benefits	81,531	40,098	31,519	84,124	12,270	5,207	24,891	67,234	346,874	13,503	38,907	52,410	399,284
Contract Services	97,456	12,548	10,991	161,959	28,193	3,497	39,896	55,673	410,213	244,809	182,136	426,945	837,158
Donated Services and Goods	133,165	-	-	-	119,057	243,246	-	-	495,468	-	-	-	495,468
Program Expenses	20,305	37,212	585	128,765	183,702	6,159	443	38,690	415,861	492	30	522	416,383
Travel	5,084	1,005	357	7,493	2,765	3,294	5,194	1,540	26,732	23,272	6,752	30,024	56,756
Conference and Meeting	6,360	4,061	10,965	2,091	1,844	15,142	3,327	1,604	45,394	9,379	4,593	13,972	59,366
Staff Development	1,131	400	-	1,604	75	645	-	25	3,880	2,700	944	3,644	7,524
Telephone	11,022	1,821	1,737	4,826	465	327	1,634	3,359	25,191	1,145	1,625	2,770	27,961
Postage and Shipping	142	38	31	123	692	313	26	65	1,430	216	2,720	2,936	4,366
Printing and Duplication	473	1,895	158	1,706	513	96	103	147	5,091	726	18,185	18,911	24,002
Dues and Subscription	524	60	800	-	-	250	-	750	2,384	1,374	1,039	2,413	4,797
Licenses and Fees	1,440	-	-	-	-	-	-	-	1,440	1,392	1,138	2,530	3,970
Supplies	7,060	3,271	2,387	7,943	4,062	2,645	2,305	4,489	34,162	2,567	3,221	5,788	39,950
Occupancy	57,962	24,387	14,599	60,877	10,081	4,652	3,349	10,781	186,688	4,963	4,606	9,569	196,257
Equipment Rental and Maintenance	5,774	2,570	2,238	7,299	657	609	1,853	3,970	24,970	842	2,462	3,304	28,274
Insurance	6,527	2,868	2,594	7,960	760	521	1,866	4,402	27,498	(114)	2,755	2,641	30,139
Bank Charges	(10)	(1)	-	13	2,127	(2)	-	19	2,146	4,211	5,768	9,979	12,125
Interest Expenses	926	578	568	1,028	16,055	-	5,807	14,894	39,856	4,833	7,640	12,473	52,329
Depreciation and Amortization	1,368	930	851	2,778	23,111	-	8,209	21,268	58,515	3,987	10,971	14,958	73,473
Miscellaneous	-	91	-	4,883	-	-	91	91	5,156	(5,056)	-	-5,056	100
Total Expenses	\$ 1,117,534	\$ 467,018	\$ 383,126	\$ 1,215,043	\$ 495,210	\$ 334,914	\$ 341,912	\$ 646,821	\$ 5,001,578	\$ 484,226	\$ 596,185	\$ 1,080,411	\$ 6,081,989

PIII, L4a PIII, L4a PIII, L4a PIII, L4a PIII, L4a PIII, L4a PIII, L4a PIII, L4a

less donated svcs 88,870 243,246

revised exp 406,340 91,668

See accompanying notes to financial statements.

**SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017**

	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	LGBT Aging and Abilities Support Network	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 502,003	\$ 309,158	\$ 260,943	\$ 488,522	\$ 113,477	\$ 15,511	\$ 149,860	\$ 316,661	\$ 2,156,135	\$ 268,414	\$ 285,935	\$ 554,349	\$ 2,710,484
Payroll Taxes	41,136	25,515	21,023	40,297	7,875	1,331	12,479	27,021	176,677	20,297	23,051	43,348	220,025
Benefits	50,407	22,743	26,163	46,319	12,765	1,726	13,963	36,555	210,641	19,852	29,111	48,963	259,604
Contract Services	110,663	17,262	17,228	181,537	35,515	1,155	3,907	66,843	434,110	71,911	127,766	199,677	633,787
Donated Services and Goods	186,813	-	-	-	108,838	277,975	-	-	573,626	-	-	-	573,626
Program Expenses	14,584	33,236	666	127,402	133,237	547	1,847	24,545	336,064	-	2,025	2,025	338,089
Travel	14,993	2,407	6,552	8,933	1,066	1,397	1,310	751	37,409	27,196	6,093	33,289	70,698
Conference and Meeting	-4,671	11,518	10,376	3,728	950	34,756	417	1,395	67,811	14,099	5,026	19,125	86,936
Staff Development	740	400	-	405	400	325	80	-	2,350	1,636	734	2,370	4,720
Telephone	3,253	1,721	1,523	4,033	903	122	639	3,059	15,253	2,449	2,620	5,069	20,322
Postage and Shipping	144	104	54	214	45	127	24	345	1,057	204	6,418	6,622	7,679
Printing and Duplication	561	3,197	496	2,273	199	2,286	118	932	10,062	452	14,759	15,211	25,273
Dues and Subscription	375	-	1,000	1,290	-	250	-	-	2,915	3,350	498	3,848	6,763
Licenses and Fees	1,920	1,091	895	2,480	2,697	77	404	1,939	11,503	1,754	30,768	32,522	44,025
Supplies	7,715	3,557	2,665	5,934	2,978	1,425	1,610	6,324	32,208	7,238	7,033	14,271	46,479
Occupancy	15,644	8,886	7,292	12,407	11,138	631	3,296	15,797	75,091	6,094	13,528	19,622	94,713
Equipment Rental and Maintenance	4,351	2,471	2,028	3,619	1,296	175	917	4,393	19,250	1,695	3,762	5,457	24,707
Insurance	4,922	2,796	2,294	4,358	1,467	199	1,037	4,970	22,043	1,917	4,256	6,173	28,216
Bank Charges	-	-	(68)	-	-	243	-	-	175	7,143	2,242	9,385	9,560
Interest Expenses	5,979	3,397	2,787	7,723	15,945	241	1,260	6,038	43,370	1,873	5,171	7,044	50,414
Depreciation and Amortization	10,008	5,685	4,665	12,926	25,657	403	2,108	10,105	71,557	5,168	8,654	13,822	85,379
Miscellaneous	73	87	49	293	-	-	-	-	502	(29)	-	(29)	473
Total Expenses	\$ 980,955	\$ 455,231	\$ 368,631	\$ 954,693	\$ 476,448	\$ 340,902	\$ 195,276	\$ 527,673	\$ 4,299,809	\$ 462,713	\$ 579,450	\$ 1,042,163	\$ 5,341,972

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (251,553)	\$ 103,847
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used in) by Operating Activities:		
Depreciation and Amortization	73,473	85,379
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Contracts Receivable	(191,924)	97,301
Decrease (Increase) in Grants Receivable	52,601	(94,500)
Decrease (Increase) in Pledges Receivable	(5,669)	31,087
Increase in Employee Advances	(545)	-
Increase in Inventory	(23,423)	(28,174)
Decrease (Increase) in Prepaid Expenses	143,477	(218,802)
Decrease in Deposits	-	641
Increase (Decrease) in Accounts Payable	(96,112)	58,876
Increase (Decrease) in Accrued Payroll and Payroll Taxes	(19,707)	20,423
Increase in Accrued Vacation	16,479	18,481
Increase in Other Accrued Liabilities	19	-
Increase in Deferred Revenue	<u>85,000</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>(217,884)</u>	<u>74,559</u>
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	<u>(19,062)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(19,062)</u>	<u>-</u>
Cash Flows From Financing Activities:		
Proceeds from Line of Credit	100,000	-
Principal Payments on Note Payable	<u>(24,505)</u>	<u>(25,800)</u>
Net Cash Provided by (Used in) Financing Activities	<u>75,495</u>	<u>(25,800)</u>
Net Increase (Decrease) in Cash	(161,451)	48,759
Cash, Beginning of Year	<u>549,097</u>	<u>500,338</u>
Cash, End of Year	\$ <u>387,646</u>	\$ <u>549,097</u>
Supplemental Disclosure of Cash Flow Information:		
Donated Services and Goods	\$ <u>517,875</u>	\$ <u>599,528</u>
Interests Paid	\$ <u>52,329</u>	\$ <u>50,414</u>

See accompanying notes to financial statements

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017

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.

LGBT Aging and Abilities Support Network (LAASN)

The LAASN provides supportive services that address social isolation as well as emotional, behavioral, and health challenges faced by lesbian, gay, bisexual, and transgender seniors and adults with disabilities. Care navigation, peer support, and programming in partnership with Curry Senior Center provide connective services to support and enhance the emotional and behavioral well-being of the underserved LGBT community.

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, 2018 and 2017

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 received approximately 54% and 45% of its revenue from governmental sources during the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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 3 to 25 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. The uninsured cash balances as of June 30, 2018 and 2017 were \$7,039 and \$81,634, respectively.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

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, 2018 and 2017, the value of contributed services included in the accompanying statement of activities amounted to \$332,115 and \$375,460, respectively. Local arts and entertainment organizations and various corporations contributed \$185,759 and \$224,068 in the fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017 at any given time, Shanti had approximately 700 volunteers who provided in excess of 15,000 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.

Subsequent Events

Shanti has evaluated subsequent events through November 20, 2018, which is the date the financial statements were available to be issued.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

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.

Recent Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this ASU as it applies to Shanti takes effect in the annual reporting period beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

3. CONTRACTS RECEIVABLE

A summary of contracts receivable as of June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
City and County of San Francisco	\$ 572,889	\$ 381,059
The San Francisco AIDS Foundation	57,619	26,546
Bridge Housing	19,737	16,612
Asian and Pacific Islander Wellness Center	24,520	55,066
Others	<u>-</u>	<u>3,558</u>
Total	\$ <u>674,765</u>	\$ <u>482,841</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 702,735	\$ 702,735
Building	1,543,247	1,543,247
Furniture and Equipment	219,746	219,746
Software	<u>19,062</u>	<u>-</u>
Total Property and Equipment	2,484,790	2,465,728
Less: Accumulated Depreciation	<u>(689,020)</u>	<u>(616,817)</u>
Net Property and Equipment	\$ <u>1,795,770</u>	\$ <u>1,848,911</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, 2018 and 2017.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

6. REVOLVING LINE OF CREDIT

Shanti had a revolving line of credit of \$500,000 with Heritage Bank of Commerce at June 30, 2018, expiring on March 23, 2019. Interest payments on the credit line are due monthly at a rate equal to the index plus 1%, which for the year ended June 30, 2018 was 6%. The credit line is secured by certain personal property owned by Shanti. The amount outstanding on the line of credit was \$100,000 at June 30, 2018, and no outstanding balance at June 30, 2017.

7. OPERATING LEASES

Shanti has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$354 to \$15,274. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2018, are as follows:

Year Ending June 30,

2019	\$ 259,364
2020	264,033
2021	260,687
2022	<u>85,161</u>
Total	\$ <u>869,245</u>

Rent expenses amounted to \$168,183 and \$71,976 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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 years ended June 30, 2018 and 2017 were \$1,270 and \$1,270, respectively.

10. NOTE PAYABLE

The following is a summary of the note payable:	<u>2018</u>	<u>2017</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.	\$ 1,069,566	\$ 1,094,071

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

Year Ending June 30:

2019	\$ 27,994
2020	29,169
2021	30,657
2022	32,086
2023	33,580
Thereafter	<u>916,080</u>
Total	\$ <u>1,069,566</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

11. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Margot Murphy Women's Cancer Program	\$ 165,656	\$ 187,750
HIV Services	168,280	83,000
Pets Are Wonderful Support	-	6,000
The L.I.F.E. Program	<u>-</u>	<u>35,000</u>
Total	\$ <u>333,936</u>	\$ <u>311,750</u>

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, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Margot Murphy Women's Cancer Program	\$ 162,750	\$ 212,449
The L.I.F.E. Program	83,000	-
HIV Services	6,000	66,689
Pets Are Wonderful Support	<u>35,000</u>	<u>-</u>
Total	\$ <u>286,750</u>	\$ <u>279,138</u>

13. SPECIAL EVENTS REVENUE

Special event revenue is shown on the financial statements net of direct event costs of \$268,790 and \$354,458 for the years ended June 30, 2018 and 2017, respectively. Costs are comprised of venue location, food and service, program costs and various other expenses.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

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, 2018 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2017	\$ 59	\$ -	\$ 25,000	\$ 25,059
Investment Income	15	-	-	15
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2018	\$ <u>74</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,074</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2018 and 2017

14. ENDOWMENT FUND (Continued)

Changes in endowment net assets for the year ended June 30, 2017 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2016	\$ 56	\$ -	\$ 25,000	\$ 25,056
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, 2017	\$ <u>59</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,059</u>

SUPPLEMENTARY INFORMATION

SHANTI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

<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 Planning Council Support	93.914	HCPD13/1701	3/1/17-2/28/18	\$ 361,877	\$ 253,715	\$ 253,715
HIV Health Services Planning Council Support	93.914	HCPD13/1800	3/1/18-2/28/19	336,877	110,585	110,585
Westside Integrated Medical Case Management	93.914	HCPD13/1701	3/1/17-2/28/18	140,542	95,124	95,124
Westside Integrated Medical Case Management	93.914	HCPD13/1801	3/1/18-2/28/19	140,542	49,443	49,443
Emotional and Practical Support Services	93.914	HCPD13/1701	3/1/17-2/28/18	358,972	266,879	266,879
Emotional and Practical Support Services	93.914	HCPD13/1801	3/1/18-2/28/19	358,972	114,587	114,587
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13/1701	3/1/17-2/28/18	100,000	80,100	80,100
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13/1801	3/1/18-2/28/19	100,000	<u>24,538</u>	<u>24,538</u>
Total U.S. Department of Health and Human Services					<u>994,971</u>	<u>994,971</u>
Total Federal Awards					<u>\$ 994,971</u>	<u>\$ 994,971</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, 2018

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, 2018. 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, 2018, 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 20, 2018.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in blue ink that reads "Noe and Company". The signature is written in a cursive, flowing style.

Oakland, California
November 20, 2018



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 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, 2018. 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 statutes, 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, 2018.

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, 2018, and have issued my report thereon dated November 20, 2018, 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 20, 2018

**SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018**

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, 2018

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, 2018**

1. There were no prior year audit findings.