

**SHANTI PROJECT**  
**FINANCIAL STATEMENTS**  
**(With Supplementary Information)**  
**Years Ended June 30, 2011 and 2010**

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(With Supplementary Information)  
Years Ended June 30, 2011 and 2010**

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# Noe and Company

## Independent Auditor's Report

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

I have audited the accompanying statements of financial position of Shanti Project, (a California nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of Shanti Project (the "Project"). 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Project as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2011, on my consideration of the Project'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Project taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oakland, California  
November 4, 2011

**SHANTI PROJECT**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010**

**Assets:**

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 91,830	\$ 61,827
Contracts Receivable	147,644	155,124
Grants Receivable	140,071	76,229
Pledges Receivable	30,497	48,452
Prepaid Assets	<u>-</u>	<u>6,843</u>
Total Current Assets	410,042	348,475
Property and Equipment, net	-	10,240
Other Assets:		
Grants Receivable - Long Term	30,525	50,000
Deposits	<u>10,122</u>	<u>8,500</u>
Total Other Assets	<u>40,647</u>	<u>58,500</u>
<b>Total Assets</b>	<b>\$ <u>450,689</u></b>	<b>\$ <u>417,215</u></b>

**Liabilities and Net Assets:**

Current Liabilities:		
Accounts Payable	\$ 139,612	\$ 148,984
Accrued Payroll and Payroll Taxes	92,007	60,456
Accrued Vacation	58,668	52,041
Obligation under Capital Leases - Current Portion	3,662	5,639
Notes Payable	<u>-</u>	<u>29,413</u>
Total Current Liabilities	293,949	296,533
Obligation under Capital Leases - Long Term Portion	<u>-</u>	<u>3,022</u>
Total Liabilities	293,949	299,555
Net Assets:		
Unrestricted	(113,665)	(125,561)
Temporarily Restricted	245,405	218,221
Permanently Restricted	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>156,740</u>	<u>117,660</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>450,689</u></b>	<b>\$ <u>417,215</u></b>

See accompanying notes to financial statements

**SHANTI PROJECT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Supports:</b>				
Governmental Contracts	\$ 1,540,915			\$ 1,540,915
Grants	264,378	\$ 164,310		428,688
Contributions	194,817			194,817
Program Service Fees	162,826			162,826
Special Events Revenue	256,550			256,550
Special Events Direct Benefit Costs	(103,151)			(103,151)
Donated Services and Goods	80,359			80,359
Investment Income	30			30
Other Income	6,333			6,333
Net Assets Released from Restrictions	<u>137,126</u>	<u>(137,126)</u>	_____	<u>_____</u>
<b>Total Revenues and Supports</b>	<b>2,540,183</b>	<b>27,184</b>	_____	<b>2,567,367</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
HIV/AIDS Services	460,556			460,556
LifeLines Program	546,886			546,886
The L.I.F.E. Program	734,382			734,382
HIV Health Services Planning Council	328,959			328,959
Volunteer Services Program	<u>104,342</u>	_____	_____	<u>104,342</u>
<b>Total Program Services</b>	<b>2,175,125</b>	_____	_____	<b>2,175,125</b>
<b>Supporting Services:</b>				
Management and General	164,000			164,000
Development	<u>189,162</u>	_____	_____	<u>189,162</u>
<b>Total Supporting Services</b>	<b>353,162</b>	_____	_____	<b>353,162</b>
<b>Total Expenses</b>	<b>2,528,287</b>	_____	_____	<b>2,528,287</b>
<b>Change in Net Assets</b>	<b>11,896</b>	<b>27,184</b>		<b>39,080</b>
<b>Net Assets, Beginning of the Year</b>	<b>(125,561)</b>	<b>218,221</b>	<b>\$ 25,000</b>	<b>117,660</b>
<b>Net Assets, End of the Year</b>	<b>\$ (113,665)</b>	<b>\$ 245,405</b>	<b>\$ 25,000</b>	<b>\$ 156,740</b>

See accompanying notes to financial statements

**SHANTI PROJECT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Supports:</b>				
Governmental Contracts	\$ 1,506,374			\$ 1,506,374
Grants	286,841	\$ 218,221		505,062
Contributions	145,084			145,084
Program Service Fees	71,231			71,231
Special Events Revenue	161,272			161,272
Special Events Direct Benefit Costs	(54,038)			(54,038)
Donated Services and Goods	147,910			147,910
Investment Income	305			305
Other Income	1,605			1,605
Net Assets Released from Restrictions	<u>213,880</u>	<u>(213,880)</u>	_____	<u>_____</u>
<b>Total Revenues and Supports</b>	<b>2,480,464</b>	<b>4,341</b>	_____	<b>2,484,805</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
HIV/AIDS Services	547,219			547,219
LifeLines Program	477,941			477,941
The L.I.F.E. Program	760,585			760,585
HIV Health Services Planning Council	356,086			356,086
Volunteer Services Program	<u>37,378</u>	_____	_____	<u>37,378</u>
<b>Total Program Services</b>	<b>2,179,209</b>	_____	_____	<b>2,179,209</b>
<b>Supporting Services:</b>				
Management and General	115,873			115,873
Development	<u>183,550</u>	_____	_____	<u>183,550</u>
<b>Total Supporting Services</b>	<b>299,423</b>	_____	_____	<b>299,423</b>
<b>Total Expenses</b>	<b>2,478,632</b>	_____	_____	<b>2,478,632</b>
Change in Net Assets	1,832	4,341		6,173
Net Assets, Beginning of the Year	<u>(127,393)</u>	<u>213,880</u>	\$ <u>25,000</u>	<u>111,487</u>
<b>Net Assets, End of the Year</b>	<b>\$ <u>(125,561)</u></b>	<b>\$ <u>218,221</u></b>	<b>\$ <u>25,000</u></b>	<b>\$ <u>117,660</u></b>

See accompanying notes to financial statements

**SHANTI PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2011**

	HIV/AIDS Services	LifeLines Program	The L.I.F.E. Program	HIV Health Services Planning Council	Volunteer Services Program	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 225,622	\$ 260,430	\$ 483,352	\$ 209,211	\$ 63,797	\$ 1,242,412	\$ 86,207	\$ 128,027	\$ 214,234	\$ 1,456,646
Payroll Taxes	22,947	27,820	51,247	22,676	6,399	131,089	5,110	13,620	18,730	149,819
Benefits	18,369	22,546	47,627	20,093	6,462	115,097	19,306	10,410	29,716	144,813
Contract Services	83,050	177,013	25,227	30,274	2,566	318,130	5,161	5,818	10,979	329,109
Donated Services and Goods	75,094	1,450			771	77,315				77,315
Outreach		750	7,039			7,789				7,789
Program Expenses	1,912	22,094	13,426	1,000	13	38,445				38,445
Travel	5,741	3,561	17,019	2,173	7,930	36,424	14,417	1,711	16,128	52,552
Conference and Meeting	815	291	14,752	13,548	3,529	32,935	827	85	912	33,847
Staff Development		196	1,535	100		1,831	405	75	480	2,311
Telephone	3,000	3,776	6,951	3,008	914	17,649	2,265	1,884	4,149	21,798
Postage and Shipping	1,086	1,517	2,754	1,090	348	6,795	464	3,309	3,773	10,568
Printing and Duplication	1,377	1,739	12,537	1,333	538	17,524	967	4,420	5,387	22,911
Dues and Subscription	423		2,534	180	225	3,362	379	2,000	2,379	5,741
Supplies	4,273	4,003	9,876	7,397	3,970	29,519	5,115	2,166	7,281	36,800
Occupancy	10,137	12,596	23,705	10,170	3,843	60,451	4,585	6,372	10,957	71,408
Equipment Rental	2,165	2,748	5,005	2,170	661	12,749	463	1,369	1,832	14,581
Insurance	3,161	1,848	4,050	1,992	1,103	12,154	6,676	931	7,607	19,761
Bank Charges	946	1,207	2,239	966	293	5,651	2,412	750	3,162	8,813
Interest Expenses	50	800	1,469	626	190	3,135	(1,997)	384	(1,613)	1,522
Depreciation							10,240		10,240	10,240
Miscellaneous	388	501	2,038	952	790	4,669	998	5,831	6,829	11,498
<b>Total Expenses</b>	<b>\$ 460,556</b>	<b>\$ 546,886</b>	<b>\$ 734,382</b>	<b>\$ 328,959</b>	<b>\$ 104,342</b>	<b>\$ 2,175,125</b>	<b>\$ 164,000</b>	<b>\$ 189,162</b>	<b>\$ 353,162</b>	<b>\$ 2,528,287</b>

See accompanying notes to financial statements.

**SHANTI PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2010**

	HIV/AIDS Services	LifeLines Program	The L.I.F.E. Program	HIV Health Services Planning Council	Volunteer Services Program	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 245,469	\$ 257,604	\$ 489,123	\$ 218,995	\$ 14,820	\$ 1,226,011	\$ 44,252	\$ 102,074	\$ 146,326	\$ 1,372,337
Payroll Taxes	14,966	19,089	35,251	15,686	854	85,846	3,461	10,270	13,731	99,577
Benefits	33,183	41,431	68,168	30,067	1,094	173,943	8,564	20,172	28,736	202,679
Contract Services	86,083	110,767	40,019	44,950	1,002	282,821	13,866	5,062	18,928	301,749
Donated Services and Goods	110,955	435	3,000			114,390	250	33,270	33,520	147,910
Outreach	371		9,426		1,603	11,400	482	513	995	12,395
Program Expenses	1,576	21,017	9,893			32,486				32,486
Travel	7,133	2,998	6,635	1,279	4,182	22,227	3,169	2,158	5,327	27,554
Conference and Meeting	1,091	117	16,482	10,622	4,760	33,072	1,536	924	2,460	35,532
Staff Development		40		380		420		928	928	1,348
Telephone	3,460	3,312	6,122	2,350	189	15,433	1,155	1,801	2,956	18,389
Postage and Shipping	1,718	2,199	6,435	1,738	259	12,349	304	4,357	4,661	17,010
Printing and Duplication	1,094	960	17,146	532	2,017	21,749	2,866	1,715	4,581	26,330
Dues and Subscription	250	37	1,680		225	2,192	1,273	2,195	3,468	5,660
Supplies	14,929	2,305	13,732	4,400	3,845	39,211	3,024	(8,198)	(5,174)	34,037
Occupancy	10,957	12,435	24,734	18,691	1,336	68,153	2,792	6,656	9,448	77,601
Equipment Rental	3,020	3,195	5,690	2,212	135	14,252	801	1,723	2,524	16,776
Insurance	5,112		5,899	3,827	341	15,179	269	(2,394)	-2,125	13,054
Bank Charges							6,861	291	7,152	7,152
Interest Expenses	854		97		66	1,017	3,659		3,659	4,676
Depreciation	2,363		268		184	2,815	11,084		11,084	13,899
Miscellaneous	2,635		785	357	466	4,243	6,205	33	6,238	10,481
<b>Total Expenses</b>	<b>\$ 547,219</b>	<b>\$ 477,941</b>	<b>\$ 760,585</b>	<b>\$ 356,086</b>	<b>\$ 37,378</b>	<b>\$ 2,179,209</b>	<b>\$ 115,873</b>	<b>\$ 183,550</b>	<b>\$ 299,423</b>	<b>\$ 2,478,632</b>

See accompanying notes to financial statements.

**SHANTI PROJECT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities:</b>		
Change in Net Assets	\$ 39,080	\$ 6,173
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	10,240	13,899
Changes in Operating Assets and Liabilities:		
Decrease in Contracts Receivable	7,480	70,940
Increase in Grants Receivable	(44,367)	(100,352)
Decrease (Increase) in Pledges Receivable	17,955	(32,300)
Decrease in Prepaid Assets	6,843	5,823
Increase in Deposits	(1,622)	-
Increase (Decrease) in Accounts Payable	(9,372)	9,913
Increase in Accrued Payroll and Payroll Taxes	31,551	2,849
Increase (Decrease) in Accrued Vacation	6,627	(2,289)
Decrease in Refundable Advances	-	(5,209)
Net Cash Provided by (Used in) Operating Activities	<u>64,415</u>	<u>(30,553)</u>
<b>Investing Activities:</b>		
Proceeds from Sale of Certificate of Deposit	-	14,050
Net Cash Provided by Investing Activities	-	14,050
<b>Financing Activities:</b>		
Principal Payments on Notes Payable	(29,413)	(33,760)
Principal Payments on Obligation under Capital Lease	(4,999)	(4,979)
Net Cash Used in Financing Activities	<u>(34,412)</u>	<u>(38,739)</u>
Net Increase (Decrease) in Cash	30,003	(55,242)
Cash, Beginning of Year	<u>61,827</u>	<u>117,069</u>
<b>Cash, End of Year</b>	<b>\$ <u>91,830</u></b>	<b>\$ <u>61,827</u></b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid for Interest	\$ <u>1,522</u>	\$ <u>4,676</u>
Donated Services and Goods	\$ <u>80,359</u>	\$ <u>147,910</u>

See accompanying notes to financial statements

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**1. ORGANIZATION**

The Shanti Project (the “Project”) was founded in 1974. The Project exists to enhance the health, quality of life and well-being of people living with life-threatening illnesses. Each year, the Project serves over 2,000 women and men living with HIV/AIDS and over 450 living with breast cancer, many of whom are low-income and medically underserved. The Project 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, the Project 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, the Project represents the difference between zero and one—the difference between a client having to face a life-threatening illness alone or having at least one caring presence at his or her side.

**HIV/AIDS Services**

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

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

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**1. ORGANIZATION (Continued)**

**LifeLines Program**

LifeLines is San Francisco's most organized and sustained effort to serve underserved populations of women with breast cancer from diverse ethnic and cultural communities. The program provides a one-of-a-kind direct service approach which can be delivered in non-clinical settings, including a client's home, hospital room or our office. Integral to the success of LifeLines is the ability to provide all interaction with our clients directly in English, Spanish, Cantonese and Mandarin. The quality of staff-client relationships is further enhanced because all staff is trained in the Shanti Model of Peer Support™, a non-directive, humanistic and client-centered mode of communication.

LifeLines' staff follows clients from diagnosis through active treatment and beyond, making sure that the continuum of care is maintained between medical providers and clients for treatment and follow-up care, as well as palliative/end-of-life support. Care Navigation services provide culturally/linguistically competent, individualized care advocacy, including: translation services; assistance with applying for social services, emergency funds for rent/utilities and childcare needs; mammography support services; appointment transportation and accompaniment. In addition, we offer free health education and survivorship activities year-round to encourage self-advocacy and peer support.

**The L.I.F.E. Program**

The L.I.F.E. program ("L.I.F.E." being an acronym for Learning Immune Function Enhancement) promotes the health of persons living with HIV/AIDS and other life threatening diseases through compassionate and culturally competent health education and counseling programs, training of health professionals, and research on the role of psychological factors in health.

The L.I.F.E. program is offered across the country, at more than 15 sites, and provides implementation support, curriculum development, technical assistance, and an easily accessible informational website to community-based agencies and government providers who wish to implement the L.I.F.E. workshop.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**1. ORGANIZATION (Continued)**

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

The Project provides the L.I.F.E. program in San Francisco (called "Positive L.I.F.E.") and primarily targets MSM population, although services have some availability for women, the trans community, and heterosexuals. Positive L.I.F.E. promotes the health of its participants through a wide range of single and multi session workshops and individual health counseling and risk reduction support. All program activities are based on engaging participants with the role of bio-psycho-social cofactors in health and are designed with the common goals of assisting individuals in reducing risk behavior that might transmit HIV, increasing participants' adherence to medication protocols, increasing their psychological functioning, and enhancing immunity and health. The program offers 12 and 16 week multi-session workshops. Positive L.I.F.E. has several long-standing partners and maintains direct linkages with the range of medical, mental health, and social service agencies within the San Francisco continuum of care.

**HIV Health Services Planning Council**

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

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**1. ORGANIZATION (Continued)**

**Volunteer Services Program**

The Volunteer Services Program offers opportunities for members of the community to be of service, to put their compassion, their skills, and their interests into action to support people living with the challenges of HIV/AIDS and breast cancer. Volunteers are trained to provide emotional support and practical assistance to individuals living with life-threatening illnesses, using the internationally recognized the Shanti Model of Peer Support™. Volunteers serve clients through one-on-one client/volunteer matches, short-term or one-time only support, our drop-in center, our activities program and by offering workshops and classes. The Project has also trained over 600 volunteer organizations worldwide in how to provide compassionate service to clients with life-threatening illnesses and/or at the end-of-life. Over 250 the Project's volunteers provide emotional and peer support services to people living with HIV/AIDS and Breast Cancer every year. And there are over 15,000 men and women in and around the Bay Area who have been the Project's volunteers in the past.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Project 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 the Project 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**

The Project receives approximately 60% and 61% of its revenue from governmental sources during the years ended June 30, 2011 and 2010, respectively.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

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

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

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Project 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 the Project. Generally, the donors of these assets permit the Project to use all or part of the income earned on any related investments for general or specific purposes.

**Fair Value Measurements**

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

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

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

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

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Purchased property and equipment are recorded at cost. Donated property and equipment are stated at estimated fair market value when received. Depreciation and amortization are recorded using the straight-line method over estimated useful lives ranging from three to five years. The Project's policy is to capitalize long-term asset expenditures in excess of \$1,000.

**Grants and Contributions**

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

**Donated Services and Goods**

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, that are performed by people with those skills, and that would typically need to be purchased if not provided by donation. During the years ended June 30, 2011 and 2010, the value of contributed services included in the accompanying statement of activities amounted to \$3,045 and \$3,250, respectively. Local arts and entertainment organizations and various corporations contributed \$77,314 and \$144,660 in the fiscal years ended June 30, 2011 and 2010, respectively, of donated tickets and entry fees and goods used for the benefit of the Project's clients.

A substantial number of volunteers have donated significant amounts of time in the Project's program services and development activities. During the years ended June 30, 2011 and 2010, the Project had approximately 250 volunteers who provided in excess of 14,600 volunteer service hours each year. The value of these contributed services is not reflected in the financial statements because the criteria for recognition of such volunteer effort have not been satisfied.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 the Project to concentrations of credit risk are primarily cash, investments and accounts receivable. The Project places its cash in financial institutions that are insured in limited amounts by the U.S. government.

**Use of Estimates**

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

**Income Tax Status**

The Project 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 the Project'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 the Project's tax positions, the accounting for any uncertainty in the Project's tax positions is not expected to have a material impact on the financial statements.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The Project has evaluated subsequent events through November 4, 2011, which is the date the financial statements were available to be issued.

**3. CONTRACTS RECEIVABLE**

A summary of contracts receivable as of June 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
City and County of San Francisco	\$ 129,249	\$ 138,016
Others	<u>18,395</u>	<u>17,108</u>
Total	\$ <u>147,644</u>	\$ <u>155,124</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Furniture and Equipment	\$ 71,846	\$ 71,846
Leasehold Improvements	<u>1,700</u>	<u>1,700</u>
Total Property and Equipment	73,546	73,546
Less: Accumulated Depreciation	<u>(73,546)</u>	<u>(63,306)</u>
Net Property and Equipment	\$ <u>-</u>	\$ <u>10,240</u>

Depreciation and amortization expenses for the years ended June 30, 2011 and 2010 were \$10,240 and \$13,899, respectively.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**5. NOTE PAYABLE**

Effective March 25, 2009, the Project's line of credit agreement with Wells Fargo Bank was converted to a term loan payable with a fixed interest rate of 8%. The loan balance as of 2010 was \$29,413.

**6. OBLIGATIONS UNDER CAPITAL LEASES**

The Project leases office equipment under various capital lease agreements. The carrying values of the equipments, net of the related accumulated amortization, included in property and equipment were \$0 and \$5,379 at June 30, 2011 and 2010, respectively.

Future minimum lease payment under the capital leases and the present value of the future minimum lease payments at June 30, 2011, are as follows:

Year Ending June 30, 2012	\$ 3,811
Less: Amounts Representing Interest	<u>(149)</u>
 Obligation under Capital Leases	 \$ <u><u>3,662</u></u>

**7. OPERATING LEASES**

The Project rents an office spaces on Polk Street in San Francisco. The Polk Street office is rented under a long term lease agreement, renewed for 3 years on July 1, 2011. Rent expenses amounted to \$71,408 and \$77,601 for the year ended June 30, 2011 and 2010, respectively.

Minimum lease payments as of June 30, 2011, are as follows:

Year Ending June 30,	
2012	\$ 72,513
2013	72,513
2014	<u>72,513</u>
Total	\$ <u><u>217,539</u></u>

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**8. 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, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
HIV/AIDS Services	\$ -	\$ 73,382
LifeLines Program	118,177	13,080
The L.I.F.E. Program	-	116,580
Management and General	-	500
Volunteer Services	18,949	-
Endowment	<u>-</u>	<u>10,338</u>
Total	\$ <u>137,126</u>	\$ <u>213,880</u>

**9. TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2011 and 2010, temporarily restricted net assets were available for the following purposes:

	<u>2011</u>	<u>2010</u>
LifeLines Program	\$ 189,972	\$ 199,272
HIV/AIDS Services	20,433	-
The L.I.F.E. Program	35,000	-
Volunteer Services	<u>-</u>	<u>18,949</u>
Total	\$ <u>245,405</u>	\$ <u>218,221</u>

**10. RETIREMENT PLAN**

The Project 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 the Project and provides for voluntary salary deferrals up to certain limits. The Project did not contribute to the plan for the years ended June 30, 2011 and 2010.

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**11. ENDOWMENT**

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

The Board of Directors of the Project 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, the Project 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 the Project in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the year ended June 30, 2011 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, 2010	\$ 8	\$ -	\$ 25,000	\$ 25,008
Investment Income	25	-	-	25
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Net Assets As of June 30, 2011	\$ <u>33</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,033</u>

**SHANTI PROJECT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**11. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended June 30, 2010 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, 2009	\$ -	\$ 10,338	\$ 25,000	\$ 35,338
Investment Income	8	-	-	8
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(10,338)</u>	<u>-</u>	<u>(10,338)</u>
Endowment Net Assets As of June 30, 2010	\$ <u>8</u>	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>25,008</u>

**12. 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 the Project for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

## **SUPPLEMENTARY INFORMATION**

**SHANTI PROJECT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Period</u>	<u>Program Award Amount</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>						
Passed through the City and County of San Francisco						
HIV Emergency Relief Project Grants						
HIV Health Services	93.914	HCPD13/1001	3/1/10-2/28/11	\$ 325,485	\$ 227,475	\$ 227,475
HIV Health Services	93.914	HCPD13/1101	3/1/11-2/28/12	325,485	98,115	98,115
Westside Integrated Case Management	93.914	HCPD13/1001	3/1/10-2/28/11	140,000	102,222	102,222
Westside Integrated Case Management	93.914	HCPD13/1101	3/1/11-2/28/12	140,000	42,650	42,650
Emotional and Practical Support Services	93.914	HCPD13/1001	3/1/10-2/28/11	192,243	129,775	129,775
Emotional and Practical Support Services	93.914	HCPD13/1101	3/1/11-2/28/12	192,243	<u>62,801</u>	<u>62,801</u>
					663,038	663,038
Passed through the City and County of San Francisco						
HIV Prevention Activities-Health Department Based						
HIV Prevention Program						
Positive L.I.F.E.	93.940	HCPD90/1002	1/1/10-12/31/10	624,201	315,472	315,472
Positive L.I.F.E.	93.940	HCPD90/1102	1/1/11-8/31/11	416,134	<u>294,727</u>	<u>294,727</u>
					<u>610,199</u>	<u>610,199</u>
Total U.S. Department of Health and Human Services					<u>1,273,237</u>	<u>1,273,237</u>
<u>U.S. Department of Housing and Urban Development:</u>						
Passed through the City and County of San Francisco						
Community Development Block Grants						
	14.218	N/A	7/1/10-6/30/11	25,000	<u>25,000</u>	<u>25,000</u>
Total U.S. Department of Housing and Urban Development					<u>25,000</u>	<u>25,000</u>
<b>Total Federal Awards</b>					<b><u>\$ 1,298,237</u></b>	<b><u>\$ 1,298,237</u></b>

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, 2011**

**1. BASIS OF ACCOUNTING**

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



## **Noe and Company**

### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

I have audited the financial statements of Shanti Project (the "Project"), as of and for the year ended June 30, 2011, and have issued my report thereon dated November 4, 2011. I conducted my audit 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.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Project's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of 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*.

This report is intended solely for the information and use of the board of directors, management, others within the Project, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Noe and Company*

Oakland, California  
November 4, 2011



## **Noe and Company**

### **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

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

#### Compliance

I have audited the compliance of Shanti Project (the "Project") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Project's management. My responsibility is to express an opinion on the Project's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project'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. My audit does not provide a legal determination of the Project's compliance with those requirements.

In my opinion, the Project complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

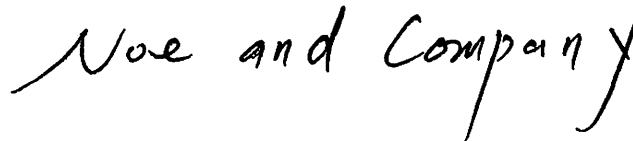
The Project's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Project's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Project'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.

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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the Project, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oakland, California  
November 4, 2011

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

**SHANTI PROJECT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

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

**Federal Awards:**

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

<u>PROGRAM NAME</u>	<u>CFDA No.</u>
HIV Emergency Relief Project Grants	93.914
HIV Prevention Activities-Health Department Based HIV Prevention Program	93.940

5. The dollar threshold used to distinguish between type A and type B programs: \$ 300,000.
6. The Project qualified as a low-risk auditee: No.

**SHANTI PROJECT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**June 30, 2011**

**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, 2011**

1. There were no prior year audit findings.