

SHANTI PROJECT
FINANCIAL STATEMENTS
(With Supplementary Information)
Years Ended June 30, 2021 and 2020

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Noe and Company

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of Shanti Project ("Shanti"), a California nonprofit organization, which comprise the statements of financial position of Shanti as of June 30, 2021 and 2020, 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 risks 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, 2021 and 2020, 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 March 21, 2022, 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.

Oakland, California
March 21, 2022

Noe and Company

SHANTI PROJECT
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

Assets:	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 3,387,479	\$ 1,227,650
Contracts Receivable	1,127,841	1,928,830
Grants Receivable	64,031	233,333
Employee Advances	7,670	3,353
Inventory	55,802	79,603
Prepaid Expenses	<u>219,370</u>	<u>254,977</u>
Total Current Assets	4,862,193	3,727,746
 Property and Equipment, net	 1,631,851	 1,682,026
 Other Assets:		
Loan Costs, net	5,712	6,982
Deposits	<u>13,076</u>	<u>8,500</u>
Total Other Assets	<u>18,788</u>	<u>15,482</u>
 Total Assets	 \$ <u>6,512,832</u>	 \$ <u>5,425,254</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 188,232	\$ 142,909
Accrued Payroll and Payroll Taxes	237,291	200,997
Accrued Vacation	341,279	275,109
Other Accrued Liabilities	-	36,083
Deferred Revenue	127,875	60,000
Notes Payable, current portion	<u>737,974</u>	<u>347,142</u>
Total Current Liabilities	1,632,651	1,062,240
 Notes Payable, long-term portion	 <u>957,108</u>	 <u>1,375,960</u>
 Total Liabilities	 2,589,759	 2,438,200
 Net Assets:		
Without Donor Restrictions	2,739,897	2,224,748
With Donor Restrictions	<u>1,183,176</u>	<u>762,306</u>
 Total Net Assets	 <u>3,923,073</u>	 <u>2,987,054</u>
 Total Liabilities and Net Assets	 \$ <u>6,512,832</u>	 \$ <u>5,425,254</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Supports:			
Government Support	\$ 5,124,075		\$ 5,124,075
Grants	159,000	\$ 1,095,890	1,254,890
Legacies and Bequests	187,753		187,753
Contributions	937,987	47,000	984,987
Program Service Fees	1,172,959		1,172,959
Special Events Revenue, net	33,135		33,135
Donated Services and Goods	22,260		22,260
Investment Income	791		791
Rent	57,443		57,443
Other Income	37,610		37,610
Net Assets Released from Restrictions	<u>722,020</u>	<u>(722,020)</u>	
Total Revenues and Supports	8,455,033	420,870	8,875,903
Expenses:			
Program Services:			
HIV Programs	1,570,508		1,570,508
HIV Health Services Planning Council Support	382,719		382,719
Margot Murphy Women's Cancer Program	806,180		806,180
Pets Are Wonderful Support	962,310		962,310
Volunteer Services	493,436		493,436
Peer Advocate Care Team	1,212,486		1,212,486
LGBTQ+ Aging and Abilities Support Network	<u>1,024,009</u>		<u>1,024,009</u>
Total Program Services	6,451,648		6,451,648
Supporting Services:			
Management and General	842,650		842,650
Development	<u>645,586</u>		<u>645,586</u>
Total Supporting Services	<u>1,488,236</u>		<u>1,488,236</u>
Total Expenses	<u>7,939,884</u>		<u>7,939,884</u>
Change in Net Assets	515,149	420,870	936,019
Net Assets, Beginning of the Year	<u>2,224,748</u>	<u>762,306</u>	<u>2,987,054</u>
Net Assets, End of the Year	\$ <u>2,739,897</u>	\$ <u>1,183,176</u>	\$ <u>3,923,073</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Supports:			
Government Support	\$ 4,037,724		\$ 4,037,724
Grants	414,034	\$ 309,300	723,334
Legacies and Bequests	188,345		188,345
Contributions	836,126		836,126
Program Service Fees	549,161		549,161
Special Events Revenue, net	411,143		411,143
Donated Services and Goods	377,278		377,278
Investment Income	3,284		3,284
Rent	55,736		55,736
Other Income	1,237		1,237
Net Assets Released from Restrictions	<u>540,040</u>	<u>(540,040)</u>	
Total Revenues and Supports	7,414,108	(230,740)	7,183,368
Expenses:			
Program Services:			
HIV Programs	1,703,151		1,703,151
HIV Health Services Planning Council Support	352,404		352,404
Margot Murphy Women's Cancer Program	999,594		999,594
Pets Are Wonderful Support	794,681		794,681
Volunteer Services	449,146		449,146
Peer Advocate Care Team	692,582		692,582
LGBTQ+ Aging and Abilities Support Network	<u>499,463</u>		<u>499,463</u>
Total Program Services	5,491,021		5,491,021
Supporting Services:			
Management and General	610,122		610,122
Development	<u>662,419</u>		<u>662,419</u>
Total Supporting Services	<u>1,272,541</u>		<u>1,272,541</u>
Total Expenses	<u>6,763,562</u>		<u>6,763,562</u>
Change in Net Assets	650,546	(230,740)	419,806
Net Assets, Beginning of the Year	<u>1,574,202</u>	<u>993,046</u>	<u>2,567,248</u>
Net Assets, End of the Year	\$ <u>2,224,748</u>	\$ <u>762,306</u>	\$ <u>2,987,054</u>

See accompanying notes to financial statements

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	HIV Programs	HIV Health Services Planning Council Support	Margot Murphy Women's Cancer Program	Pets Are Wonderful Support	Volunteer Services	Peer Advocate Care Team	LGBTQ+ Aging and Abilities Support Network	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 1,103,439	\$ 279,444	\$ 377,280	\$ 376,392	\$ 125,648	\$ 637,531	\$ 531,198	\$ 3,430,932	\$ 595,389	\$ 448,215	\$ 1,043,604	\$ 4,474,536
Payroll Taxes	84,718	21,310	29,166	28,194	8,460	49,843	38,651	260,342	24,193	33,096	57,289	317,631
Benefits	118,556	26,427	51,563	41,931	7,057	67,515	67,861	380,910	36,425	39,634	76,059	456,969
Contract Services	37,965	8,215	222,428	97,190	3,719	333,942	206,438	909,897	95,412	45,085	140,497	1,050,394
Donated Services and Goods	1,780	-	-	51,577	-	-	-	53,357	-	-	-	53,357
Program Expenses	57,775	99	59,698	270,115	314,787	16,342	86,206	805,022	(148)	104	(44)	804,978
Travel	3,015	294	409	570	1,584	3,236	528	9,636	2,233	2,461	4,694	14,330
Conference and Meeting	951	9,890	-	1,747	-	-	-	12,588	-	32	32	12,620
Staff Development	19,815	4,509	5,968	6,813	3,139	12,820	11,181	64,245	7,798	7,207	15,005	79,250
Telephone	9,699	706	4,758	2,674	2,260	9,376	3,563	33,036	221	747	968	34,004
Postage and Shipping	63	14	3,227	2,444	9	38	544	6,339	683	2,788	3,471	9,810
Printing and Duplication	306	51	1,304	80	35	275	210	2,261	61	17,757	17,818	20,079
Dues and Subscription	1,599	500	-	-	34	-	1,450	3,583	1,212	960	2,172	5,755
Licenses and Fees	3,362	-	864	1,224	1,095	144	12,288	18,977	11,752	2,638	14,390	33,367
Supplies	19,244	7,769	5,168	6,679	9,528	7,877	10,862	67,127	14,974	3,106	18,080	85,207
Occupancy	73,391	16,154	28,728	32,777	10,879	53,593	33,867	249,389	19,353	21,977	41,330	290,719
Equipment Rental and Maintenance	4,223	929	1,653	1,447	626	2,523	1,948	13,349	2,228	1,264	3,492	16,841
Insurance	7,872	1,733	3,081	2,697	1,167	4,703	3,632	24,885	6,530	2,357	8,887	33,772
Bank Charges	-	-	-	50	204	42	-	296	6,882	9,794	16,676	16,972
Interest Expenses	8,834	1,945	3,458	15,581	1,309	5,277	4,077	40,481	9,445	2,646	12,091	52,572
Depreciation and Amortization	12,401	2,730	7,427	22,071	1,838	7,409	9,505	63,381	6,588	3,713	10,301	73,682
Miscellaneous	1,500	-	-	57	58	-	-	1,615	1,419	5	1,424	3,039
Total Expenses	\$ 1,570,508	\$ 382,719	\$ 806,180	\$ 962,310	\$ 493,436	\$ 1,212,486	\$ 1,024,009	\$ 6,451,648	\$ 842,650	\$ 645,586	\$ 1,488,236	\$ 7,939,884

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	HIV Programs	HIV Health Services Planning Council Support	Margot Murphy Women's Cancer Program	Pets Are Wonderful Support	Volunteer Services	Peer Advocate Care Team	LGBTQ+ Aging and Abilities Support Network	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 1,038,234	\$ 255,054	\$ 486,620	\$ 331,019	\$ 170,275	\$ 358,025	\$ 249,923	\$ 2,889,150	\$ 396,160	\$ 438,991	\$ 835,151	\$ 3,724,301
Payroll Taxes	76,617	17,826	31,708	23,322	11,519	29,079	20,086	210,157	35,754	32,621	68,375	278,532
Benefits	104,439	23,101	54,425	33,538	14,744	40,945	40,334	311,526	24,733	35,373	60,106	371,632
Contract Services	49,832	8,774	220,334	37,247	20,637	177,913	117,062	631,799	64,747	68,407	133,154	764,953
Donated Services and Goods	157,891	-	-	43,620	157,792	-	-	359,303	-	-	-	359,303
Program Expenses	58,829	1,241	115,570	255,538	33,955	11,409	30,676	507,218	1,977	17	1,994	509,212
Travel	5,900	4,666	1,751	914	7,596	8,086	494	29,407	6,619	6,484	13,103	42,510
Conference and Meeting	7,944	4,694	59	627	3,336	625	91	17,376	2,621	728	3,349	20,725
Staff Development	4,648	-	1,354	450	-	1,517	22	7,991	2,176	705	2,881	10,872
Telephone	19,427	3,016	7,406	3,310	1,364	7,033	3,906	45,462	1,965	3,081	5,046	50,508
Postage and Shipping	7	-	413	377	438	196	143	1,574	199	1,315	1,514	3,088
Printing and Duplication	445	75	1,322	129	193	337	452	2,953	742	31,738	32,480	35,433
Dues and Subscription	1,549	-	-	-	700	-	685	2,934	5,538	1,305	6,843	9,777
Supplies	22,428	2,148	6,359	4,279	9,844	24,790	6,618	76,466	16,662	4,687	21,349	97,815
Occupancy	134,870	26,819	60,874	14,263	12,638	9,252	6,085	264,801	11,118	4,726	15,844	280,645
Equipment Rental and Maintenance	8,071	1,716	3,477	2,026	1,073	3,000	2,778	22,141	2,037	2,439	4,476	26,617
Insurance	8,113	1,725	3,495	1,873	996	2,924	2,792	21,918	4,715	2,452	7,167	29,085
Bank Charges	39	-	39	199	21	-	-	298	3,712	10,871	14,583	14,881
Interest Expenses	1,625	651	240	17,622	851	7,334	7,260	35,583	11,680	6,475	18,155	53,738
Depreciation and Amortization	2,243	898	4,148	24,313	1,174	10,117	10,016	52,909	8,995	8,934	17,929	70,838
Miscellaneous	-	-	-	15	-	-	40	55	7,972	1,070	9,042	9,097
Total Expenses	\$ 1,703,151	\$ 352,404	\$ 999,594	\$ 794,681	\$ 449,146	\$ 692,582	\$ 499,463	\$ 5,491,021	\$ 610,122	\$ 662,419	\$ 1,272,541	\$ 6,763,562

See accompanying notes to financial statements.

SHANTI PROJECT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 936,019	\$ 419,806
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	73,682	70,837
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Contracts Receivable	800,989	(343,035)
Decrease in Grants Receivable	169,302	323,333
Decrease in Pledges Receivable	-	500
Decrease (Increase) in Employee Advances	(4,317)	2,567
Decrease (Increase) in Inventory	23,801	(13,488)
Decrease in Prepaid Expenses	35,607	15,113
Increase in Deposits	(4,576)	-
Increase (Decrease) in Accounts Payable	45,323	(173,920)
Increase in Accrued Payroll and Payroll Taxes	36,294	36,694
Increase in Accrued Vacation	66,170	83,907
Decrease in Other Accrued Liabilities	(36,083)	-
Increase in Deferred Revenue	<u>67,875</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>2,210,086</u>	<u>422,314</u>
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	<u>(22,237)</u>	<u>(9,653)</u>
Net Cash Used in Investing Activities	<u>(22,237)</u>	<u>(9,653)</u>
Cash Flows From Financing Activities:		
Payments on Line of Credit	-	(235,000)
Proceeds from Notes Payable	-	711,377
Principal Payments on Notes Payable	<u>(28,020)</u>	<u>(29,858)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(28,020)</u>	<u>446,519</u>
Net Increase in Cash	2,159,829	859,180
Cash, Beginning of Year	<u>1,227,650</u>	<u>368,470</u>
Cash, End of Year	\$ <u>3,387,479</u>	\$ <u>1,227,650</u>
Supplemental Disclosure of Cash Flow Information:		
Donated Services and Goods	\$ <u>22,260</u>	\$ <u>377,278</u>
Interest Paid	\$ <u>52,572</u>	\$ <u>53,738</u>

See accompanying notes to financial statements

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. ORGANIZATION

For 47 years, the Shanti Project (“Shanti”) has been cultivating compassion in our community. Founded in 1974 by Dr. Charles Garfield at the UCSF Cancer Institute, Shanti was one of the first volunteer organizations in the United States to provide support to people with life-threatening illness. Shanti was founded on the principle that every person deserves compassion, connection and human dignity. From our earliest days, Shanti has shined a light on the invisible suffering that accompanies illness and isolation. And we have called on the community to be the difference between zero and one—the difference between facing life’s most difficult challenges alone or with one person by your side.

Shanti emerged from the UCSF cancer ward halls to become one of the world’s very first community-based organizations to help support people diagnosed with HIV/AIDS during the epidemic’s early, most nightmarish days. In 2001, we expanded our services to include women diagnosed with breast cancer, and in 2015, we expanded again to serve women facing any cancer diagnosis. Also in 2015, we welcomed into the Shanti family community partner Pets Are Wonderful Support (PAWS), whose mission ensures that no person has to make the decision between caring for their pet or caring for themselves.

To bring our internationally recognized model of care to more underserved members of our community, we launched two new programs in 2016. Our LGBTQ+ Aging & Abilities Support Network (LAASN) addresses social isolation as well as emotional, behavioral, and health challenges faced by LGBTQ+ seniors and adults with disabilities. Our Peer Advocate Care Team (PACT) supports current residents of Potrero Terrace and Annex to help them prepare for their public housing to be demolished and rebuilt into a mixed-income community.

HIV Programs

When people living with HIV/AIDS receive medical and emotional support, they feel strong, empowered, and worthy. Our continuum of HIV services allows these individuals to connect with one another and access much needed resources like medical and mental health care, housing support, food and nutrition, counseling, support groups, and much more.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

1. ORGANIZATION (Continued)

HIV Health Services Planning Council Support Program

The San Francisco EMA HIV Community Planning Council is a collaborative regional planning body that consists of volunteers and government appointees from throughout San Francisco, Marin, and San Mateo counties, including persons living with HIV, community members, and representatives of private and public agencies providing a wide range of HIV-related services and programs. Shanti provides management, administrative support, and training to council members of the San Francisco EMA HIV Community Planning Council. The body is mandated by HRSA and the CDC to assess the needs of the HIV-positive population and those at risk of contracting HIV, prioritize service categories, and set funding allocation levels for those services.

Margot Murphy Women's Cancer Program

When women diagnosed with cancer are genuinely seen and supported, not just medically, but emotionally, they gain a sense of empowerment about their treatment and their lives. Through our Women's Cancer Program, our Care Navigators provide a multitude of culturally competent services including patient advocacy, language interpretation, social services application support, appointment accompaniment, and transportation assistance. We meet clients where they are at — in homes, in hospital rooms, or in our offices.

Pets Are Wonderful Support (PAWS)

When our neighbors know their animals are being loved and cared for, they have the time, space, and confidence to navigate the other issues in their lives. PAWS staff and volunteers assist clients in caring for their pets through supportive services like pet food and supplies, veterinary services, dog walking, in-home cat care, transports to vet appointments, and emergency pet foster care.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

1. ORGANIZATION (Continued)

Volunteer Services

When volunteers are trained to make meaningful personal connections, they learn to offer compassion and presence that affects the entire community. Shanti offers an immersive, life-changing 24-hour volunteer training, the Shanti Model of Peer Support, which prepares volunteers to be paired one-on-one with clients and provide them with both emotional support and practical assistance.

Peer Advocate Care Team (PACT)

When our neighbors who live in poverty in Potrero Terrace and Annex public housing, which is undergoing a vast redevelopment, receive emotional support, they feel strong, empowered, and more self-reliant. Using the Shanti Model of Peer Support, our PACT services enable these individuals and families to stay or become stably housed in a safe and livable environment, one where they feel invested and connected to each other and their community.

LGBTQ+ Aging and Abilities Support Network (LAASN)

When LGBTQ+ elders with disabilities are recognized for who they truly are, they feel valued and empowered to vibrantly contribute to their community. The LGBTQ+ Aging and Abilities Support Network provides supportive services that address social isolation, emotional, behavioral, and health challenges faced by lesbian, gay, bisexual, transgender, and queer seniors and adults with disabilities.

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, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Shanti's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require Shanti to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Shanti's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Shanti or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Government Support

A portion of the Shanti's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when Shanti has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Shanti has cost-reimbursable grants of \$729,384 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. Any billed contract receivables are included in accounts receivable as of June 30, 2021.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Revenue

Shanti received approximately 58% and 56% of its revenue from governmental sources during the years ended June 30, 2021 and 2020, respectively.

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.

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, 2021 and 2020 were \$47,592 and \$630,676, respectively.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

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.

Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation method. Allocated costs and methods include salaries, payroll taxes, benefits allocated based on employee ratios and other expenses allocated based on management estimates.

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, 2021 and 2020, the value of contributed services included in the accompanying statement of activities amounted to \$12,099 and \$181,978, respectively. Local arts and entertainment organizations and various corporations contributed \$10,161 and \$195,301 in the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020 at any given time, Shanti had approximately 500 and 500 volunteers respectively who provided in excess of 12,000 volunteer service hours each year.

Subsequent Events

Shanti has evaluated subsequent events through March 21, 2022, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of novel strain of coronavirus (COVID 19) was identified and had since spread to many countries including the U.S. In response to COVID 19, Shanti had continued business with no interruptions to its operations and programs through March 21, 2022.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Income Tax Status

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

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on management's tax positions of Shanti, 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

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 for fiscal years beginning after December 15, 2021, with early adoption permitted.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. These presentation changes include: 1) Present contributed nonfinancial assets as a separate line item in the statement of activities, a part from contributions of cash and other financial assets and 2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets with additional disclosures for each category presented. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Shanti is currently evaluating the impact of the adoption of this guidance on its financial statements.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. Revenue from contributions and investment income are not impacted by this new standard.

Shanti adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method. Analysis of various provisions of this standard resulted in no significant changes in the way Shanti recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

3. CONTRACTS RECEIVABLE

A summary of contracts receivable as of June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
City and County of San Francisco	\$ 872,653	\$ 1,582,802
The San Francisco AIDS Foundation	105,869	30,037
Bridge Housing	117,978	315,991
Meals on Wheels San Francisco	<u>31,341</u>	<u>-</u>
Total	\$ <u>1,127,841</u>	\$ <u>1,928,830</u>

4. 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, 2021 and 2020.

5. REVOLVING LINE OF CREDIT

Shanti had a revolving line of credit of \$750,000 with Heritage Bank of Commerce at June 30, 2021, expiring on April 12, 2024. Interest payments on the credit line are due monthly at a rate equal to the index plus 0.25%. The credit line is secured by certain personal property owned by Shanti. The amounts outstanding on the line of credit were zero at June 30, 2021 and 2020, respectively.

6. LOAN COSTS

In December 2015, Shanti paid \$12,695 in closing costs on a notes 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, 2021 and 2020 were \$1,270 and \$1,270, respectively.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 702,735	\$ 702,735
Building	1,543,247	1,543,247
Furniture and Equipment	188,745	231,145
Software	<u>50,953</u>	<u>28,715</u>
 Total Property and Equipment	 2,485,680	 2,505,842
 Less: Accumulated Depreciation	 <u>(853,829)</u>	 <u>(823,816)</u>
 Net Property and Equipment	 \$ <u>1,631,851</u>	 \$ <u>1,682,026</u>

8. OPERATING LEASES

Shanti has entered into several long-term operating leases for office space and equipment with monthly payments ranging from \$1,165 to \$20,730. The future minimum rental payments required under these long-term non-cancelable leases at June 30, 2021, are as follows:

Year Ending June 30,

2022	\$ <u>88,745</u>
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Rent expenses amounted to \$262,612 and \$245,743 for the years ended June 30, 2021 and 2020, respectively.

9. SPECIAL EVENTS REVENUE

Special event revenue is shown on the financial statements net of direct event costs of \$22,456 and \$111,707 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020

10. RENT INCOME

Commencing December 2018, Shanti entered a sublease agreement for office space, that extended through October 2021 with a monthly payment of \$4,810, with San Francisco Community Health Center. The future rents to be received at June 30, 2021, are as follows:

Year Ending June 30,

2022	\$ <u>19,241</u>
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Rent income for the years ended June 30, 2021 and 2020 were \$57,443 and \$55,736, respectively.

11. NOTES PAYABLE

The following is a summary of the notes payable:

	<u>2021</u>	<u>2020</u>
Note payable to Heritage Bank of Commerce in monthly installments of \$6,351 with interest rate at 4.5% through December 2025, secured by real property.	\$ 983,705	\$ 1,011,725
Note payable to Heritage Bank of Commerce in monthly installments of \$29,950 with interest rate at 1.0% through April 2022, unsecured.	<u>711,377</u>	<u>711,377</u>
Total	1,695,082	1,723,102
Less: Current Portion	<u>(737,974)</u>	<u>(347,142)</u>
Long-term Portion	\$ <u>957,108</u>	\$ <u>1,375,960</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

11. NOTES PAYABLE (continued)

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

Year Ending June 30:

2022	\$ 737,974
2023	27,837
2024	29,018
2025	30,486
2026	<u>869,767</u>
Total	<u>\$ 1,695,082</u>

The loan of \$711,377 payable to Heritage Bank of Commerce was made pursuant to Section 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The U.S. Small Business Administration (SBA) approved the Shanti's application for the PPP loan forgiveness and the SBA remitted the forgiven loan principal plus accrued interest to Heritage Bank of Commerce on August 19, 2021.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Margot Murphy Women's Cancer Program	\$ 81,820	\$ 34,300
HIV Services	704,786	698,006
Pets Are Wonderful Support	5,000	-
Peer Advocate Care Team	259,577	-
Others - Time Restricted	106,992	5,000
Endowment Fund	<u>25,000</u>	<u>25,000</u>
Total	<u>\$ 1,183,175</u>	<u>\$ 762,306</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

13. NET ASSETS RELEASED FROM DONOR 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, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Margot Murphy Women's Cancer Program	\$ 66,980	\$ 60,700
HIV Services	513,610	396,740
Pets Are Wonderful Support	71,000	12,600
Peer Advocate Care Team	22,423	-
Others - Time Restricted	<u>48,007</u>	<u>70,000</u>
Total	\$ <u>722,020</u>	\$ <u>540,040</u>

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.

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

14. ENDOWMENT FUND (Continued)

Changes in endowment net assets for the year ended June 30, 2021 consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2020	\$ 97	\$ 25,000	\$ 25,097
Investment Income	8	-	8
Appropriation of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets As of June 30, 2021	\$ <u>105</u>	\$ <u>25,000</u>	\$ <u>25,105</u>

Changes in endowment net assets for the year ended June 30, 2020 consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets As of June 30, 2019	\$ 89	\$ 25,000	\$ 25,089
Investment Income	8	-	8
Appropriation of Endowment Assets for Expenditure	-	-	-
Endowment Net Assets As of June 30, 2020	\$ <u>97</u>	\$ <u>25,000</u>	\$ <u>25,097</u>

SHANTI PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2021 and 2020

15. 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.

16. AVAILABILITY AND LIQUIDITY

The following represents Shanti's financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash	\$ 3,387,479	\$ 1,227,650
Contracts Receivable	1,127,841	1,928,830
Grants Receivable	<u>64,031</u>	<u>233,333</u>
Total Financial Assets	4,579,351	3,389,813
Less: Amounts Not Available To Be Used Within One Year:		
Net Assets With Donor Restrictions	1,183,175	762,306
Less: Net Assets With Donor Restrictions To Be Met In Less Than One Year	<u>(883,175)</u>	<u>(620,639)</u>
Total Amounts Not Available To Be Used	<u>300,000</u>	<u>141,667</u>
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	\$ <u>4,279,351</u>	\$ <u>3,248,146</u>

Shanti's goal is generally to maintain financial assets to meet not less than 90 days of operating expenses (approximately \$2,350,000). As part of its liquidity plan, excess cash is invested in short-term investments. Shanti has a \$750,000 line of credit available to meet cash flow needs.

SUPPLEMENTARY INFORMATION

SHANTI PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

<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	3/1/20-2/28/21	\$ 344,266	\$ 263,156	\$ 263,156
HIV Health Services Planning Council Support	93.914	HCPD13	3/1/21-2/28/22	344,266	129,850	129,850
HIV Health Services Planning Council Support - COVID	93.914	HCPD13	4/1/20-7/31/20	3,000	3,000	3,000
Westside Integrated Medical Case Management	93.914	HCPD13	3/1/20-2/28/21	143,624	119,920	119,920
Westside Integrated Medical Case Management	93.914	HCPD13	3/1/21-2/28/22	143,624	46,256	46,256
Westside Integrated Medical Case Management- COVID	93.914	HCPD13	4/1/20-7/31/20	5,000	3,860	3,860
Emotional and Practical Support Services	93.914	HCPD13	3/1/20-2/28/21	366,845	308,723	308,723
Emotional and Practical Support Services	93.914	HCPD13	3/1/21-2/28/22	366,845	108,407	108,407
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13	3/1/20-2/28/21	102,193	95,483	95,483
Emotional and Practical Support Services: Senior Survivor	93.914	HCPD13	3/1/21-2/28/22	102,193	<u>31,269</u>	<u>31,269</u>
					1,109,924	1,109,924
HIV Prevention Activities Health Department Based:						
Passed through the City and County of San Francisco						
HIV Health Services Planning Council Support 12K	93.940	HCPD90	1/1/20-12/31/20	12,000	6,211	6,211
HIV Health Services Planning Council Support 12K	93.940	HCPD90	1/1/21-12/31/21	12,000	5,607	5,607
Westside Integrated Medical Case Management - HCV	93.940	HCPD126	1/1/20-12/31/20	61,041	<u>55,204</u>	<u>55,204</u>
					67,022	67,022
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects:						
Passed through the City and County of San Francisco						
DAAS - Care Navigation and Peer Support	93.048	10000017438	7/1/20-6/30/21	151,914	<u>151,914</u>	<u>151,914</u>
Total U.S. Department of Health and Human Services					<u>1,328,860</u>	<u>1,328,860</u>
Total Federal Awards					\$ <u>1,328,860</u>	\$ <u>1,328,860</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, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Shanti Project (“Shanti”) under programs of the federal government for the year ended June 30, 2021. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the 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.

3. INDIRECT COST RATE

Shanti has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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, 2021, 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 March 21, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shanti's internal control. Accordingly, I do not express an opinion on the effectiveness of Shanti's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies 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 financial statements. 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.

Oakland, California
March 21, 2022

Noe and Company



Noe and Company

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by 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, 2021. 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, 2021.

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 referred 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.

Oakland, California
March 21, 2022

Noe and Company

**SHANTI PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021**

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? None reported.
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? None reported.
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, 2021

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, 2021**

1. There were no prior year audit findings.