

SHANTI PROJECT

**Financial Statements for the Years Ended
June 30, 2022 and 2021
and Independent Auditors' Report**

SHANTI PROJECT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Shanti Project (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The financial statements of the Organization for the year ended June 30, 2021, were audited by other auditors, who expressed an unmodified opinion on those statements on March 21, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 our opinion, the schedule of expenditures of federal awards 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*, we have also issued our report dated February 9, 2023 on our consideration of the Organization's internal control over financial reporting and on our 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 our 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 Organization'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 the Organization's internal control over financial reporting and compliance.

Karlsson & Lane, a.c.

Pleasanton, California
February 9, 2023

SHANTI PROJECT

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,725,055	\$ 3,387,481
Contributions and grants receivable	1,555,432	1,187,841
Other receivables	14,014	11,701
Inventory	43,583	55,802
Prepaid expenses and deposits	209,387	219,371
Total current assets	4,547,471	4,862,196
CONTRIBUTIONS AND GRANTS RECEIVABLE, net	222,878	-
DEPOSITS	14,076	13,076
PROPERTY AND EQUIPMENT, net	1,579,843	1,631,851
Total assets	<u>\$ 6,364,268</u>	<u>\$ 6,507,123</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 154,626	\$ 172,161
Accrued liabilities	602,373	594,644
Refundable advances	132,517	127,875
Notes payable	27,836	737,974
Total current liabilities	917,352	1,632,654
NOTE PAYABLE	924,831	951,396
Total liabilities	1,842,183	2,584,050
NET ASSETS		
Net assets without donor restrictions:		
Board designated operating reserve	700,000	-
Without board designations	2,362,758	2,739,897
Total net assets without donor restrictions	3,062,758	2,739,897
Net assets with donor restrictions	1,459,327	1,183,176
Total net assets	4,522,085	3,923,073
Total liabilities and net assets	<u>\$ 6,364,268</u>	<u>\$ 6,507,123</u>

The accompanying notes are an integral part of these financial statements.

SHANTI PROJECT

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Government grants	\$ 5,738,771	\$ 5,124,075
Contributions	1,962,913	2,457,699
Contributed nonfinancial assets and services	193,752	22,260
Program service fees	84,516	-
Rental income	59,340	57,443
Other income	78,663	38,401
Gross special events revenue	211,049	55,591
Less: cost of benefit to attendees	(132,851)	(22,456)
Total revenues and support	8,196,153	7,733,013
Net assets released from restrictions	975,396	722,020
Total revenues, support and net assets released from restrictions	9,171,549	8,455,033
Functional expenses:		
Program services:		
HIV Programs	1,868,529	1,570,509
Peer Advocates Care Team	1,337,559	1,212,487
Pets are Wonderful Support	1,125,710	962,312
Margot Murphy Women's Cancer Program	914,718	806,182
LGBTQ+ Aging and Abilities Support Network	860,909	1,024,010
HIV Health Services Planning Council Support	369,303	382,718
Vet Mental Health Initiative	342,364	-
Volunteer Services	122,803	493,437
Total program services	6,941,895	6,451,655
Supporting services:		
Management and general	1,120,291	842,646
Development	786,502	645,583
Total supporting services	1,906,793	1,488,229
Total expenses	8,848,688	7,939,884
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	322,861	515,149
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,251,547	1,142,890
Net assets released from restrictions	(975,396)	(722,020)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	276,151	420,870
CHANGE IN NET ASSETS	599,012	936,019
NET ASSETS, BEGINNING OF YEAR	3,923,073	2,987,054
NET ASSETS, END OF YEAR	\$ 4,522,085	\$ 3,923,073

The accompanying notes are an integral part of these financial statements.

SHANTI PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services								Supporting Services			Total Expenses	
	HIV Programs	Peer Advocate Care Team	Pets are Wonderful Support	Margot Murphy Women's Cancer Program	LGBTQ+ Aging & Abilities Support Network	HIV Health Services Planning Council Support	Vet Mental Health Initiative	Volunteer Services	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,125,175	\$ 774,216	\$ 465,367	\$ 451,245	\$ 406,461	\$ 259,510	\$ 182,172	\$ 89,620	\$ 3,753,766	\$ 733,961	\$ 442,137	\$ 1,176,098	\$ 4,929,864
Contract services	50,161	326,003	13,304	156,515	233,067	8,372	130,229	2,787	920,438	133,704	162,066	295,770	1,216,208
Direct client support	241,296	19,521	446,993	117,439	64,478	1,086	-	2,876	893,689	(76)	287	211	893,900
Benefits	139,308	78,305	60,472	74,619	55,139	25,931	9,268	5,386	448,428	52,821	53,710	106,531	554,959
Payroll taxes	85,725	60,508	35,231	35,132	31,231	20,820	12,986	5,852	287,485	46,067	34,998	81,065	368,550
Occupancy	107,084	30,634	36,883	38,345	27,772	23,388	4,144	5,192	273,442	21,407	19,715	41,122	314,564
Cost of direct benefit to attendees	-	-	-	-	-	-	-	-	-	-	132,851	132,851	132,851
Supplies	20,687	9,200	8,087	5,778	9,610	3,385	427	1,057	58,231	16,006	5,597	21,603	79,834
Depreciation and amortization	16,910	8,753	21,558	7,275	7,792	3,693	654	820	67,455	7,975	3,113	11,088	78,543
Telephone	20,478	11,752	4,386	7,171	5,489	2,976	305	806	53,363	6,273	1,453	7,726	61,089
Miscellaneous	55	53	111	20	14	12	2	23	290	59,674	187	59,861	60,151
Staff development	14,718	9,375	7,229	6,443	5,262	2,751	815	538	47,131	8,091	3,884	11,975	59,106
Interest expense	11,689	2,377	14,902	4,186	3,032	2,553	452	567	39,758	3,545	2,152	5,697	45,455
Travel	6,803	1,805	1,857	485	2,059	1,716	-	2,650	17,375	8,332	13,797	22,129	39,504
Insurance	11,535	2,345	2,549	4,130	2,992	2,519	446	559	27,075	8,178	2,124	10,302	37,377
Printing and publications	378	360	25	1,062	502	70	-	460	2,857	122	20,674	20,796	23,653
Conference and meetings	5,762	438	1,994	-	-	7,840	-	2,738	18,772	1,561	158	1,719	20,491
Licences and fees	3,905	1,014	1,264	1,069	676	988	287	657	9,860	5,191	1,661	6,852	16,712
Bank charges	-	-	90	-	-	-	6	-	96	3,585	8,766	12,351	12,447
Equipment rental and maintenance	4,518	900	978	1,586	1,148	993	171	215	10,509	885	815	1,700	12,209
Postage and shipping	144	-	2,430	2,218	1,367	-	-	-	6,159	460	3,002	3,462	9,621
Dues and subscriptions	2,198	-	-	-	2,818	700	-	-	5,716	2,529	1,206	3,735	9,451
Marketing and advertising	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,000
Total expenses	1,868,529	1,337,559	1,125,710	914,718	860,909	369,303	342,364	122,803	6,941,895	1,120,291	919,353	2,039,644	8,981,539
Less: cost of direct benefit to attendees presented with revenue on the statements of activities	-	-	-	-	-	-	-	-	-	-	(132,851)	(132,851)	(132,851)
Total functional expenses	\$ 1,868,529	\$ 1,337,559	\$ 1,125,710	\$ 914,718	\$ 860,909	\$ 369,303	\$ 342,364	\$ 122,803	\$ 6,941,895	\$ 1,120,291	\$ 786,502	\$ 1,906,793	\$ 8,848,688

The accompanying notes are an integral part of these financial statements.

SHANTI PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services				Total Expenses
	HIV Programs	Peer Advocate Care Team	Pets are Wonderful Support	Margot Murphy Women's Cancer Program	LGBTQ+ Aging & Abilities Support Network	HIV Health Services Planning Council Support	Volunteer Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,103,439	\$ 637,531	\$ 376,391	\$ 377,281	\$ 531,199	\$ 279,444	\$ 125,648	\$ 3,430,933	\$ 595,389	\$ 448,215	\$ 1,043,604	\$ 4,474,537
Contract services	37,965	333,941	97,190	222,428	206,437	8,215	3,719	909,895	95,413	45,087	140,500	1,050,395
Direct client support	59,555	16,341	321,694	59,699	86,206	99	314,787	858,381	(148)	104	(44)	858,337
Benefits	118,556	67,516	41,931	51,563	67,861	26,427	7,057	380,911	36,420	39,633	76,053	456,964
Payroll taxes	84,717	49,843	28,194	29,166	38,651	21,310	8,460	260,341	24,193	33,096	57,289	317,630
Occupancy	73,390	53,593	32,778	28,728	33,867	16,154	10,879	249,389	19,353	21,976	41,329	290,718
Supplies	19,244	7,877	6,679	5,168	10,862	7,769	9,528	67,127	14,974	3,106	18,080	85,207
Staff development	19,816	12,819	6,813	5,968	11,182	4,509	3,139	64,246	7,799	7,206	15,005	79,251
Depreciation and amortization	12,402	7,409	22,071	7,427	9,505	2,730	1,838	63,382	6,588	3,714	10,302	73,684
Interest expense	8,834	5,277	15,582	3,458	4,077	1,944	1,309	40,481	9,445	2,645	12,090	52,571
Telephone	9,699	9,377	2,674	4,759	3,563	706	2,260	33,038	221	746	967	34,005
Insurance	7,872	4,703	2,697	3,081	3,632	1,733	1,167	24,885	6,530	2,357	8,887	33,772
Licences and fees	3,362	144	1,224	864	12,288	-	1,095	18,977	11,752	2,638	14,390	33,367
Cost of direct benefit to attendees	-	-	-	-	-	-	-	-	-	22,456	22,456	22,456
Printing and publications	306	275	80	1,304	209	51	35	2,260	61	17,757	17,818	20,078
Bank charges	-	43	50	-	-	-	204	297	6,881	9,794	16,675	16,972
Equipment rental and maintenance	4,223	2,523	1,447	1,653	1,949	929	626	13,350	2,228	1,264	3,492	16,842
Travel	3,015	3,237	570	408	528	294	1,585	9,637	2,234	2,461	4,695	14,332
Conference and meetings	952	-	1,746	-	-	9,890	-	12,588	-	32	32	12,620
Postage and shipping	63	38	2,444	3,227	544	14	9	6,339	682	2,787	3,469	9,808
Dues and subscriptions	1,599	-	-	-	1,450	500	34	3,583	1,212	960	2,172	5,755
Miscellaneous	1,500	-	57	-	-	-	58	1,615	1,419	5	1,424	3,039
Total expenses	1,570,509	1,212,487	962,312	806,182	1,024,010	382,718	493,437	6,451,655	842,646	668,039	1,510,685	7,962,340
Less: cost of direct benefit to attendees presented with revenue on the statements of activities	-	-	-	-	-	-	-	-	-	(22,456)	(22,456)	(22,456)
Total functional expenses	\$ 1,570,509	\$ 1,212,487	\$ 962,312	\$ 806,182	\$ 1,024,010	\$ 382,718	\$ 493,437	\$ 6,451,655	\$ 842,646	\$ 645,583	\$ 1,488,229	\$ 7,939,884

The accompanying notes are an integral part of these financial statements.

SHANTI PROJECT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 599,012	\$ 936,019
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	78,543	73,682
Relief of debt income	(721,102)	-
Change in discount - contributions and grants receivable	10,456	-
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	(600,925)	970,291
Other receivables	(2,313)	(4,317)
Inventory	12,219	23,801
Prepaid expenses and deposits	9,984	31,031
Accounts payable	(17,535)	45,323
Accrued liabilities	17,454	66,381
Refundable advances	4,642	67,877
Net cash provided by (used in) operating activities	<u>(609,565)</u>	<u>2,210,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of long term deposits	(1,000)	-
Purchases of property and equipment	<u>(26,535)</u>	<u>(22,237)</u>
Net cash used in investing activities	<u>(27,535)</u>	<u>(22,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(25,326)</u>	<u>(28,020)</u>
Net cash used in financing activities	<u>(25,326)</u>	<u>(28,020)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(662,426)	2,159,831
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,387,481</u>	<u>1,227,650</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,725,055</u>	<u>\$ 3,387,481</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 44,337</u>	<u>\$ 52,572</u>

The accompanying notes are an integral part of these financial statements.

SHANTI PROJECT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. NATURE OF OPERATIONS

Organization - Shanti Project (the “Organization” or “Shanti”) is a California nonprofit public benefit corporation located in San Francisco, California. For 47 years, the Organization 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 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.

Program services -

- *HIV Program* - 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.
- *Pets are Wonderful Support* - 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. Pets are Wonderful Support (“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.

- *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 Health Resources and Service Administration and the Center for Disease Control 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 ("WCP"), 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.
- *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, lifechanging 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* - 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 Peer Advocate Care Team ("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* - 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 ("LASSN") provides supportive services that address social isolation, emotional, behavioral, and health challenges faced by lesbian, gay, bisexual, trans gender, and queer seniors and adults with disabilities.
- *Veterinarians Mental Health Initiative* - The Organization's Veterinary Mental Health Initiative ("VMHI") was founded in 2021 because veterinarians and veterinary technicians are currently an underserved population with regards to mental health care and support. Veterinary professionals can struggle with high rates of anxiety, depression, and suicidality, in addition to other mental health diagnoses. The most recent data from 2019 states that the suicide rate is higher among veterinarians than the general population -- 1.6 times higher for male veterinarians and 2.4 times higher for female veterinarians. VMHI offers professionally facilitated peer support groups for veterinarians and veterinary technicians and one-to-one support sessions for veterinarians. All VMHI services are completely free, confidential, virtual via a HIPAA-compliant platform, and facilitated by kind and understanding doctorate-level clinicians with specialties in depression and anxiety, grief and loss, work-life balance, trauma, and suicide prevention and response.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of the Organization are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (“GAAP”) specific to nonprofit organizations. The Organization presents information about its net assets and activities by two net assets classes: without donor restrictions and with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets which have not been specifically restricted by a donor. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

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 that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair value of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3).

Level 1 - inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization’s own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization’s own data.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Grants and Contributions Receivable - Grants and contributions receivable represent amounts due from government agencies, foundation, and other donors. Accounts receivable balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent receivables do not accrue interest. The Organization continually monitors the credit worthiness of each receivable and recognizes allowances for estimated bad debts on receivable balances that are no longer estimated to be collectible. The Organization adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. There was no allowance considered necessary at June 30, 2022 and 2021, respectively.

Inventory - Inventory is stated at cost or fair value of donated goods using a first-in, first-out method. Inventory consists principally of pet foods, pet medications, and other pet supplies.

Property and Equipment - Property and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment over \$5,000. The fair value of all donated property and equipment is similarly capitalized. Depreciation has been provided on the straight-line method based on the useful lives of the assets, which range from three to twenty-five years.

Endowments - The Organization follows the guidance included in ASC 958-205-45 which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The guidance also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization follows the following provisions of ASC 958-205-45:

Interpretation of Relevant Law

The board of directors of the Organization has interpreted California’s enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) additions to the endowment in accordance with donor directions, and (4) the remaining portion of the endowment fund that is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

Spending Policy

The Organization may appropriate endowment earnings for expenditure through the budgeting process.

Investment Policy, Strategies, and Objectives

The Organization is holding the endowment assets in cash and equivalents while evaluating investment options that provide a proper return for the related risk and related fees.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no individual donor-restricted endowment funds with deficiencies at June 30, 2022 and 2021, respectively.

Government Grants and Contributions - Government grants and contributions are recognized as revenue in the period unconditionally promised or received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected using a risk free rate of return. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. Conditional promises to give for restricted purposes are presented as contributions without donor restrictions upon meeting the conditions if the condition and restriction are met in the same reporting period. Conditional promises to give of \$1,285,981 are not included on the 2022 statement of activities, and will be recognized when such conditions are substantially met in future years. Cash received before conditions of contributions are met are deferred and presented as refundable advances on the statements of financial position.

Program Service Fees - The Organization provides consulting services to organizations whose services are consistent with the charitable goals of the Organization. Revenue is recognized over time as the services are performed and are receivable upon performance. Future contract revenues expected to be collected under existing contracts totaled \$9,391 as of June 30, 2022.

Contributed Nonfinancial Assets and Services - Contributed nonfinancial assets and services are recognized at fair value as contribution revenue and program expenses at the time of donation. Fair value is determined using Level 3 management estimates and similar third-party data. Any significant balances held at year end are capitalized as inventory and are expensed at the time of distribution.

Income Taxes - The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors. In management's judgment there are no uncertain tax positions as of June 30, 2022.

Functional Expense Classification - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Personnel costs are allocated based on employee reported time allocations. Expenses common to several functions are allocated based on the related functions' allocated personnel costs.

Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and equivalents and grants and contributions receivable. The Organization's cash is maintained in demand deposits and in money funds in high quality financial institutions. Cash balances at June 30, 2022 did not exceed federal insurance limits. The Organization generally does not maintain collateral for its receivable balances, and does not believe significant credit risk exists at June 30, 2022.

Reclassifications - Certain 2021 balances have been reclassified to conform to the 2022 financial statement presentation.

Recently adopted accounting pronouncements - In September 2020, the Financial Accounting Standards Board issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. The Organization adopted the standard during the year ended June 30, 2022 retrospectively to all periods presented. Adoption of this standard did not have a material impact on the financial statements.

Subsequent Events - Subsequent events have been evaluated through February 9, 2023, which is the date the financial statements were available to be issued.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at June 30, 2022:

Within one year	\$ 1,555,432
In one to five years	<u>233,333</u>
	1,788,765
Less: discount to net present value at 2.8%	<u>(10,455)</u>
Total contributions and grants receivable	<u><u>\$ 1,778,310</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 702,735	\$ 702,735
Building and improvements	1,543,247	1,543,247
Furniture and equipment	188,745	188,745
Software	76,219	50,953
Less: Accumulated depreciation	<u>(931,103)</u>	<u>(853,829)</u>
Net property and equipment	<u><u>\$ 1,579,843</u></u>	<u><u>\$ 1,631,851</u></u>

5. NOTES PAYABLE

The Organization has a note payable to a bank. The note matures in December 2025. The note is collateralized by the Organization's real property. The note bears interest at a fixed rate of 4.5%. Interest and principal payments of \$5,911 are due monthly.

Notes payable consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Future principal payments	\$ 957,110	\$ 1,695,082
Less: unamortized loan fees	<u>(4,443)</u>	<u>(5,712)</u>
Total notes payable	<u>\$ 952,667</u>	<u>\$ 1,689,370</u>

Future principal payments are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 27,836
2024	29,018
2025	30,485
2026	<u>869,771</u>
Total	<u>\$ 957,110</u>

Interest expense amounted to \$44,247 and \$45,457 for the years ended June 30, 2022 and 2021, respectively.

In 2020, the Organization obtained a loan of \$711,377 through the U.S. Small Business Association's ("SBA") Paycheck Protection Program. The balance of the loan and related accrued interest of \$721,102 were forgiven by the SBA in 2022. The forgiveness of debt is recognized as government grant revenue in the statement of activities.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Use restrictions:		
HIV services	\$ 917,432	\$ 704,786
PAWS	270,431	5,000
WCP	203,915	81,819
VMHI	17,549	-
PACT	-	259,577
Time	<u>25,000</u>	<u>106,994</u>
Total use restrictions	1,434,327	1,158,776
Subject to be held in perpetuity	<u>25,000</u>	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 1,459,327</u>	<u>\$ 1,183,176</u>

The Organization's net assets with donor restrictions include donor-restricted endowment funds. As required by ASC 958-205, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in the endowment during the year ended June 30, 2022 and 2021 are as follows:

	Use Restricted	Perpetual Balance	Total
Endowment balance at June 30, 2020	\$ 97	\$ 25,000	\$ 25,097
Investment gain	8	-	8
Endowment balance at June 30, 2021	105	25,000	25,105
Investment gain	11	-	11
Endowment balance at June 30, 2022	<u>\$ 116</u>	<u>\$ 25,000</u>	<u>\$ 25,116</u>

7. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	2022	2021
Event tickets and entry fees	\$ 174,114	\$ 10,161
Veterinary services	19,638	12,099
Total contributed nonfinancial assets and services	<u>\$ 193,752</u>	<u>\$ 22,260</u>

Event tickets and entry fees were unrestricted and were utilized during the reporting period by clients in Shanti's HIV services program within direct client support. The Organization valued the goods based on rates for equivalent values available to the general public. Veterinary services were unrestricted and were utilized during the reporting period by the PAWS program. Veterinary services are estimated at fair value based on current rates for similar services.

8. LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has an available \$750,000 line of credit available to meet cash needs that matures in April 2024. There were no draws outstanding on the line of credit at June 30, 2022 and 2021, respectively.

The Organization reviews various measures of liquidity and cash balances with the board of directors and finance committee each quarter. The board of directors has designated \$700,000 as a cash reserve to be set aside for unanticipated expenses and to provide short-term continuity of budgeted critical operating expenses when normal income sources are unexpectedly terminated or reduced. Allocations to the cash reserve are set annually until the cash reserve reaches a balance of \$2,259,344.

Financial assets available for general expenditures within one year at June 30, 2022 consisted of the following:

Financial assets:

Cash and cash equivalents	\$ 2,725,055
Contributions and grants receivable	1,778,310
Other receivables	<u>14,014</u>
Total financial assets	<u>4,517,379</u>

Less amounts unavailable for general expenditures withing one year due to:

Contributions stipulated for use in excess of one year	<u>(432,402)</u>
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Total financial assets available for general expenditures within one year	<u><u>\$ 4,084,977</u></u>
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9. OPERATING LEASES

The Organization leases office space and equipment under various non-cancelable operating leases that expire through 2027. The aggregate remaining minimum rental payments required under the terms of all non-cancelable operating leases as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 200,162
2024	211,590
2025	78,296
2026	9,708
2027	<u>4,567</u>
Total	<u><u>\$ 504,323</u></u>

Rent charges of \$267,442 and \$262,612 were recognized as expense during the years ended June 30, 2022 and 2021, respectively. The Organization is additionally responsible for its annual share of operating and tax expenses.

The Organization subleases a portion of the office space described above. Rent income of \$4,987 is due monthly through May 2023. Rent income under subleases totaled \$59,340 and \$57,443 for the years ended June 30, 2022 and 2021, respectively.

10. RETIREMENT PLAN

Pursuant to Section 403(b) of the Internal Revenue Code, the Organization contributes to a tax-sheltered annuity plan (the “Plan”) for qualifying employees. The Organization may make discretionary contributions on behalf of employees to the Plan each year. The Organization made no contributions to the Plan for the years ended June 30, 2022 and 2021, respectively.

11. CONCENTRATIONS

Two grantors comprised 92% of contributions and grants receivable as of June 30, 2022.

SHANTI PROJECT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Program Title/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000002517	\$ 344,288
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000006123	141,008
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000013322	358,539
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000024465	<u>103,350</u>
Subtotal - Emergency Relief Project Grants	93.914		<u>947,185</u>
HIV Prevention Activities Health Department Based Passed Through the City and County of San Francisco	93.940	1000013322	<u>11,226</u>
Total U.S. Department of Health and Human Services			<u>958,411</u>
Total expenditures of federal awards			<u>\$ 958,411</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SHANTI PROJECT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies

- (1) 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.
- (2) The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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

We 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 (a California nonprofit organization) (the "Organization") which comprise the statement of financial position as of June 30, 2022, 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 our report thereon dated February 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001

Purpose of this Report

The purpose of this report is solely to describe the scope and our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrison & Lane, a.c.

Pleasanton, California
February 9, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shanti Project's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters. Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Harrison & Lane, a.c.

Pleasanton, California

February 9, 2023

SHANTI PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared according to U.S. GAAP: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weakness?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u> Yes	<u> </u> No
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Identification of major federal programs:

Federal Assistance Listing Number
93.914

Name of Federal Program or Cluster
Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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(continued)

SHANTI PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

II. Financial Statement Findings

None.

III. Federal Awards Findings and Questioned Costs

Finding 2022-001

CFDA:	93.914
Program Title:	Emergency Relief Project Grants
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Agency:	City and County of San Francisco
Pass-Through Award No.:	1000002517; 1000006123; 1000024465

Criteria

Program requirements state that program participants must meet certain eligibility requirements including residency, HIV status, and income thresholds in order to receive services. Eligible participants are used to calculate Unduplicated Client (“UDC”) totals required by the program.

Condition

Testing selected twenty-five program participants. Of the twenty-five, three did not have documentation of recent income sufficient to determine income eligibility under the program. All twenty-five had documentation of HIV status.

Cause

The Organization does not have a control in place to verify participants in a program met continuing eligibility requirements in a timely manner.

Context

Program participants may receive services from several organizations and agencies, and eligibility is tracked by all organizations and agencies through a single database managed by the City and County of San Francisco. All errors occurred with participants that had been determined to be eligible in a previous period. The physical condition of the typical participant makes it unlikely their income status would change from earlier periods’ certification.

Effect

It is possible that certain participants in the program are not eligible for services and should not have been counted toward the required total UDC reported by the program to the granting agency.

Questioned Costs

The finding did not result in any questioned costs.

Prior Audit Finding

No.

Recommendation

The Organization should implement a procedure and control to determine program participant eligibility on at least an annual or six-month schedule as required by the program.

Views of Responsible Officials

The Organization agrees with the finding, and will implement procedures to implement the recommendation.

IV. Prior Year Findings

Not applicable.