

SHANTI PROJECT

**Financial Statements for the Years Ended
June 30, 2024 and 2023
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 statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, 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.

Basis for Opinion

We conducted our 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. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 January 17, 2025 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.

Harrison & Lane, a.c.

Pleasanton, California
January 17, 2025

SHANTI PROJECT

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,622,965	\$ 2,057,085
Contributions and grants receivable	1,313,945	1,458,067
Other receivables	24,274	2,737
Inventory	13,910	12,341
Prepaid expenses and deposits	214,384	208,769
Total current assets	3,189,478	3,738,999
CONTRIBUTIONS AND GRANTS RECEIVABLE, net	-	5,586
DEPOSITS	13,076	13,076
OPERATING LEASE RIGHT OF USE ASSET	118,299	399,516
PROPERTY AND EQUIPMENT, net	1,435,385	1,500,587
Total assets	<u>\$ 4,756,238</u>	<u>\$ 5,657,764</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 152,756	\$ 105,892
Accrued liabilities	480,018	591,954
Refundable advances	2,500	149,258
Operating lease liability, current	104,391	284,329
Note payable, current	30,485	29,018
Total current liabilities	770,150	1,160,451
OPERATING LEASE LIABILITY	15,946	120,336
NOTE PAYABLE	867,872	897,085
Total liabilities	1,653,968	2,177,872
NET ASSETS		
Net assets without donor restrictions:		
Board designated operating reserve	915,601	901,865
Without board designations	1,028,067	1,142,903
Total net assets without donor restrictions	1,943,668	2,044,768
Net assets with donor restrictions		
Purpose restrictions	1,133,602	1,410,124
Perpetual in nature	25,000	25,000
Total net assets with donor restrictions	1,158,602	1,435,124
Total net assets	3,102,270	3,479,892
Total liabilities and net assets	<u>\$ 4,756,238</u>	<u>\$ 5,657,764</u>

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

SHANTI PROJECT

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Government grants	\$ 5,151,345	\$ 4,997,147
Contributions	1,384,177	1,344,309
Contributed nonfinancial assets and services	288,998	271,342
Program service fees	113,067	137,725
Rental income	7,183	51,878
Other income	7,032	6,541
Gross special events revenue	134,588	460,152
Less: cost of benefit to attendees	(138,030)	(256,601)
Total revenues and support	6,948,360	7,012,493
Net assets released from restrictions	823,820	992,543
Total revenues, support and net assets released from restrictions	7,772,180	8,005,036
Functional expenses:		
Program services:		
HIV Programs	2,101,772	2,034,903
Peer Advocate Care Team	338,475	810,296
Pets Are Wonderful Support	1,291,750	1,288,642
Margot Murphy Women's Cancer Program	968,195	964,793
LGBTQ+ Aging and Abilities Support Network	992,579	968,042
HIV Community Planning Council Support	414,380	468,557
Veterinary Mental Health Initiative	120,353	328,354
Volunteer Services	15,346	33,137
Total program services	6,242,850	6,896,724
Supporting services:		
Management and general	1,238,983	1,453,729
Fundraising	391,447	672,573
Total supporting services	1,630,430	2,126,302
Total expenses	7,873,280	9,023,026
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(101,100)	(1,017,990)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	547,298	968,340
Net assets released from restrictions	(823,820)	(992,543)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(276,522)	(24,203)
CHANGE IN NET ASSETS	(377,622)	(1,042,193)
NET ASSETS, BEGINNING OF YEAR	3,479,892	4,522,085
NET ASSETS, END OF YEAR	\$ 3,102,270	\$ 3,479,892

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

SHANTI PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services									Supporting Services			
	HIV Programs	Peer Advocate Care Team	Pets Are Wonderful Support	Margot Murphy Women's Cancer Program	LGBTQ+ Aging & Abilities Support Network	HIV Community Planning Council Support	Veterinary Mental Health Initiative	Volunteer Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,208,083	\$ 239,141	\$ 612,833	\$ 448,069	\$ 518,534	\$ 289,332	\$ 55,198	\$ (1,408)	\$ 3,369,782	\$ 829,147	\$ 272,124	\$ 1,101,271	\$ 4,471,053
Direct client support	265,756	10,135	398,657	147,318	45,723	2,206	-	1,952	871,747	-	-	-	871,747
Contract services	65,666	15,916	19,516	162,747	243,771	14,976	56,336	3,017	581,945	130,879	18,633	149,512	731,457
Benefits	187,885	26,929	89,468	79,535	65,728	31,289	2,545	131	483,510	73,961	38,156	112,117	595,627
Payroll taxes	95,891	19,462	48,621	37,181	41,493	23,572	5,073	82	271,375	61,113	22,049	83,162	354,537
Occupancy	123,792	7,708	49,580	45,360	38,646	23,325	709	115	289,235	30,496	14,223	44,719	333,954
Cost of direct benefit to attendees	-	-	-	-	-	-	-	-	-	-	138,030	138,030	138,030
Depreciation and amortization	18,099	6,404	25,427	7,329	9,520	3,412	107	21	70,319	7,346	1,709	9,055	79,374
Telephone	30,680	4,923	7,328	8,594	8,294	3,891	71	103	63,884	3,260	1,161	4,421	68,305
Supplies	38,593	2,400	5,907	3,590	3,245	1,536	26	1,551	56,848	5,129	1,193	6,322	63,170
Insurance	18,053	1,087	5,459	6,601	5,622	3,394	109	20	40,345	16,334	1,723	18,057	58,402
Bad debt	-	-	-	-	-	-	-	-	-	49,250	-	49,250	49,250
Licences and fees	8,303	2,587	5,574	4,808	4,236	766	77	308	26,659	16,675	825	17,500	44,159
Interest expense	11,916	717	15,340	4,353	3,731	2,237	73	23	38,390	3,913	1,121	5,034	43,424
Conference and meetings	15,483	-	567	-	475	9,043	-	1,068	26,636	961	30	991	27,627
Travel	4,043	685	1,838	973	224	3,751	-	8,288	19,802	2,870	968	3,838	23,640
Equipment rental and maintenance	5,458	298	1,571	1,839	1,539	913	29	24	11,671	1,117	475	1,592	13,263
Printing and publications	190	83	290	2,270	63	41	-	21	2,958	37	9,001	9,038	11,996
Staff development	3,033	-	2,000	4,785	962	-	-	30	10,810	-	188	188	10,998
Bank charges	-	-	-	-	-	-	-	-	-	2,553	6,533	9,086	9,086
Postage and shipping	-	-	1,579	2,843	-	196	-	-	4,618	223	604	827	5,445
Miscellaneous	848	-	195	-	-	-	-	-	1,043	3,209	171	3,380	4,423
Dues and subscriptions	-	-	-	-	773	500	-	-	1,273	510	60	570	1,843
Marketing and advertising	-	-	-	-	-	-	-	-	-	-	500	500	500
Total expenses	2,101,772	338,475	1,291,750	968,195	992,579	414,380	120,353	15,346	6,242,850	1,238,983	529,477	1,768,460	8,011,310
Less: cost of direct benefit to attendees presented with revenue on the statements of activities	-	-	-	-	-	-	-	-	-	-	(138,030)	(138,030)	(138,030)
Total functional expenses	\$ 2,101,772	\$ 338,475	\$ 1,291,750	\$ 968,195	\$ 992,579	\$ 414,380	\$ 120,353	\$ 15,346	\$ 6,242,850	\$ 1,238,983	\$ 391,447	\$ 1,630,430	\$ 7,873,280

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

SHANTI PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services									Supporting Services				
	HIV Programs	Peer Advocate Care Team	Pets Are Wonderful Support	Margot Murphy Women's Cancer Program	LGBTQ+ Aging & Abilities Support Network	HIV Community Planning Council Support	Veterinary Mental Health Initiative	Volunteer Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Salaries	\$ 1,134,034	\$ 520,645	\$ 588,444	\$ 512,093	\$ 468,692	\$ 335,384	\$ 146,860	\$ 11,899	\$ 3,718,051	\$ 1,012,057	\$ 420,087	\$ 1,432,144	\$ 5,150,195	
Contract services	82,589	112,977	25,933	138,764	272,959	13,517	154,987	3,029	804,755	181,079	100,567	281,646	1,086,401	
Direct client support	313,066	6,994	426,619	102,634	49,920	6,092	-	157	905,482	675	244	919	906,401	
Benefits	158,658	59,678	77,584	81,626	59,758	31,256	8,281	1,583	478,424	79,197	47,421	126,618	605,042	
Payroll taxes	87,730	40,745	46,591	39,332	36,806	27,807	10,942	121	290,074	69,681	30,210	99,891	389,965	
Occupancy	107,120	32,258	46,161	42,944	34,129	22,806	4,008	617	290,043	36,172	18,322	54,494	344,537	
Cost of direct benefit to attendees	-	-	-	-	-	-	-	-	-	-	256,601	256,601	256,601	
Telephone	27,330	13,813	9,517	9,512	8,583	4,393	771	952	74,871	6,249	3,460	9,709	84,580	
Supplies	44,867	3,532	5,426	5,776	6,012	2,186	357	1,907	70,063	9,831	2,163	11,994	82,057	
Depreciation and amortization	15,970	7,998	22,477	9,259	8,838	3,400	597	92	68,631	7,894	2,731	10,625	79,256	
Insurance	15,251	2,562	4,445	6,114	4,859	3,247	571	88	37,137	16,200	2,608	18,808	55,945	
Interest expense	10,729	1,803	15,100	4,301	3,418	2,284	401	62	38,098	4,340	1,835	6,175	44,273	
Travel	2,471	1,122	1,727	821	2,683	3,841	-	12,250	24,915	5,168	3,982	9,150	34,065	
Staff development	18,375	1,727	4,147	4,046	2,096	500	230	-	31,121	1,602	731	2,333	33,454	
Conference and meetings	7,258	-	6,628	77	2,713	8,748	-	270	25,694	-	-	-	25,694	
Equipment rental and maintenance	7,039	3,517	2,123	2,822	2,243	1,499	263	41	19,547	2,167	1,204	3,371	22,918	
Printing and publications	341	597	766	900	759	41	-	58	3,462	204	18,362	18,566	22,028	
Licences and fees	1,950	328	568	782	621	666	73	11	4,999	13,566	334	13,900	18,899	
Bank charges	-	-	122	-	60	-	-	-	182	1,927	13,100	15,027	15,209	
Postage and shipping	-	-	4,264	2,990	748	390	13	-	8,405	822	3,777	4,599	13,004	
Dues and subscriptions	125	-	-	-	2,145	500	-	-	2,770	1,982	1,127	3,109	5,879	
Miscellaneous	-	-	-	-	-	-	-	-	-	2,916	308	3,224	3,224	
Total expenses	2,034,903	810,296	1,288,642	964,793	968,042	468,557	328,354	33,137	6,896,724	1,453,729	929,174	2,382,903	9,279,627	
Less: cost of direct benefit to attendees presented with revenue on the statements of activities	-	-	-	-	-	-	-	-	-	-	(256,601)	(256,601)	(256,601)	
Total functional expenses	\$ 2,034,903	\$ 810,296	\$ 1,288,642	\$ 964,793	\$ 968,042	\$ 468,557	\$ 328,354	\$ 33,137	\$ 6,896,724	\$ 1,453,729	\$ 672,573	\$ 2,126,302	\$ 9,023,026	

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

SHANTI PROJECT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (377,622)	\$ (1,042,193)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	79,374	79,256
Amortization of operating lease assets and liabilities	(3,111)	5,149
Change in discount - contributions and grants receivable	-	(9,196)
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	149,708	323,853
Other receivables	(21,537)	11,277
Inventory	(1,569)	31,242
Prepaid expenses and deposits	(5,615)	618
Accounts payable	46,864	(48,734)
Accrued liabilities	(111,936)	(10,419)
Refundable advances	(146,758)	16,741
Net cash used in operating activities	(392,202)	(642,406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of long term deposits	-	1,000
Purchases of property and equipment	(14,172)	-
Net cash (used in) provided by investing activities	(14,172)	1,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(27,746)	(26,564)
Net cash used in financing activities	(27,746)	(26,564)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(434,120)	(667,970)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,057,085	2,725,055
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,622,965	\$ 2,057,085
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 41,914	\$ 43,187
Non-cash investing and financing activities:		
Operating lease asset obtained in exchange for operating lease liability - upon adoption.	\$ -	\$ 672,871

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

SHANTI PROJECT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. NATURE OF OPERATIONS

Organization - Shanti Project (the “Organization” or “Shanti”) is a California nonprofit public benefit corporation located in San Francisco, California. Shanti builds human connections to reduce isolation, enhance health and well-being, and improve quality of life, especially for individuals facing inequities and barriers to care. Shanti was founded in 1974 on the principle that every person deserves compassion, connection, and human dignity. The organization was a pioneer in offering community-based emotional and practical support for terminally ill patients, first in the UCSF cancer ward and then in response to the AIDS epidemic. Throughout the years, Shanti has expanded its programs and services to meet the evolving needs of our local communities.

Program services -

- *HIV Programs* exist to ensure that underserved people living with HIV and/or HCV receive the compassionate, cross-cultural support they need to manage their health and well-being. Our nonjudgmental, harm-reduction based services promote robust engagement by clients in their own healthcare, help them overcome barriers to access key resources, and offer opportunities to connect with one another.
- *LGBTQ+ Aging & Abilities Support Network (“LAASN”)* provides compassionate supportive services that help counteract isolation and emotional, behavioral, and health challenges faced by LGBTQ+ older adults and adults with disabilities. Care navigation and social and wellness programming help clients build and contribute vibrantly to their community.
- *Margot Murphy Women’s Cancer Program (“MMWCP”)* mitigates the barriers that women face after a cancer diagnosis. Our multilingual and cross-cultural services help empower women with cancer to overcome linguistic, social, and financial obstacles to access and complete treatment and move into survivorship. Our program is tailored to helping those living in poverty and facing other challenges.
- *Peer Advocate Care Team (“PACT”)* supports the residents of Potrero Hill Terrace and Annex public housing as they navigate the complex realities of living in poverty, while their housing community undergoes redevelopment during the next 10-15 years.
- *Pets Are Wonderful Support (“PAWS”)* keeps people and their animal companions together in the face of poverty and other hardships that threaten to separate them. We provide free comprehensive animal support services, including pet food, supplies, and veterinary care, for companion animals of older adults and individuals living with disability or illness.

- *Veterinary Mental Health Initiative (“VMHI”)* provides mental health support services to veterinarians and other veterinary professionals by doctorate-level clinicians. Our facilitated peer support groups and individual sessions help support mental health and well-being for veterinary providers.
- *Volunteer Services* recruits, trains, and matches volunteers to Shanti clients. Peer Support Volunteers provide weekly one-on-one emotional support and practical assistance to clients. Pet Assistance Volunteers offer supportive companion animal services such as dog walking.
- *Community Services* provides administrative, informational, and process support to the San Francisco HIV Community Planning Council. Staff also support the council’s community outreach efforts including the annual community needs assessment. Additional community support currently includes coordination of two mentorship-based workforce development programs.

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, 2024 and 2023, 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, 2024 and 2023, 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 \$777,925 are not included on the 2024 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.

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, 2024.

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, 2024 did not exceed federal insurance limits. The Organization's receivables are primarily with government agencies. The Organization generally does not maintain collateral for its receivable balances, and does not believe significant credit risk exists at June 30, 2024.

Leases - As of July 1, 2022, the Organization adopted Accounting Standards Update ("ASU") number 2016-02, *Leases* on an effective date basis, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. As a result of implementing ASU 2016-02, the Organization recognized right-of-use assets and liabilities of \$672,871 at July 1, 2022 in the statement of financial position. The adoption did not affect amounts reported in the statement of activities for the year ended June 30, 2023.

Subsequent Events - Subsequent events have been evaluated through January 17, 2025, which is the date the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Land	\$ 702,735	\$ 702,735
Building and improvements	1,543,247	1,543,247
Furniture and equipment	188,745	188,745
Software	90,389	76,219
Less: Accumulated depreciation	(1,089,731)	(1,010,359)
Net property and equipment	<u>\$ 1,435,385</u>	<u>\$ 1,500,587</u>

4. NOTE 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.

The note payable consisted of the following at June 30, 2024 and 2023:

	2024	2023
Future principal payments	\$ 900,260	\$ 929,276
Less: unamortized loan fees	(1,903)	(3,173)
Total notes payable	<u>\$ 898,357</u>	<u>\$ 926,103</u>

Future principal payments are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 30,485
2026	<u>869,775</u>
Total	<u>\$ 900,260</u>

Interest expense amounted to \$42,154 and \$43,003 for the years ended June 30, 2024 and 2023, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Use restrictions:		
HIV Programs	\$ 670,417	\$ 652,761
MMWCP	246,452	476,387
PAWS	179,233	225,927
VMHI	-	17,549
Time	37,500	37,500
Total use restrictions	1,133,602	1,410,124
Subject to be held in perpetuity	25,000	25,000
Total net assets with donor restrictions	<u>\$ 1,158,602</u>	<u>\$ 1,435,124</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, 2024 and 2023 are as follows:

	Use Restricted	Perpetual Balance	Total
Endowment balance at June 30, 2022	\$ 116	\$ 25,000	\$ 25,116
Investment gain	291	-	291
Endowment balance at June 30, 2023	407	25,000	25,407
Investment gain	298	-	298
Endowment balance at June 30, 2024	<u>\$ 705</u>	<u>\$ 25,000</u>	<u>\$ 25,705</u>

6. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statement of activities included:

	2024	2023
Event tickets, entry fees, pet food	\$ 277,121	\$ 252,947
Veterinary services	11,877	18,395
Total contributed nonfinancial assets and services	<u>\$ 288,998</u>	<u>\$ 271,342</u>

Event tickets, entry fees, and pet food were unrestricted and were utilized during the reporting period by clients in Shanti's program services 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.

7. 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 reviews various measures of liquidity and cash balances with the board of directors and finance committee each quarter. The board of directors has designated \$915,601 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 \$1,800,000.

Financial assets available for general expenditures within one year at June 30, 2024 consisted of the following:

Financial assets:

Cash and cash equivalents	\$ 1,622,965
Contributions and grants receivable	1,313,945
Other receivables	<u>24,274</u>
Total financial assets	<u>2,961,184</u>

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

Perpetual balance of endowment	(25,000)
Board designated operating reserve	<u>(915,601)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,020,583</u>

8. OPERATING LEASES

The Organization leases office space and equipment under non-cancelable leases that expire through October 2031. The Organization evaluated current contracts to determine which met the criteria of a lease. The right of use asset represents the Organization's right to use underlying assets for the lease terms, and the lease obligation represents the Organization's obligation to make lease payments arising from these leases. The right of use asset and lease obligation, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease term.

For the years ended June 30, 2024 and 2023, total operating lease costs including variable period costs were \$276,307 and \$286,321, respectively. As of June 30, 2024, the weighted-average remaining lease term for the Organization's operating leases was approximately ten months. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2024, was 2.8%. Cash paid for operating leases for the years ended June 30, 2024 and 2023, was \$292,202 and \$283,941, respectively.

Future minimum operating lease payments are as follows:

<u>Year end June 30,</u>	
2025	105,570
2026	10,875
2027	<u>5,437</u>
Subtotal	121,882
Less present value discount	<u>(1,545)</u>
Total	<u>\$ 120,337</u>

The Organization subleased a portion of the office space described above. Rent income under the sublease totaled \$7,183 and \$51,878 for the years ended June 30, 2024 and 2023, respectively. The lease ended and was not renewed in fiscal 2024.

Subsequent to year end, the office space lease expired and a new lease was signed in September 2024. The lease includes monthly base rents ranging from \$21,296 to \$25,429 through October 2031.

9. 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, 2024 and 2023, respectively.

SHANTI PROJECT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

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:			
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B Passed Through the City and County of San Francisco	93.686	1000006123	<u>\$ 306,509</u>
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000013322	360,571
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000006123	182,115
Emergency Relief Project Grants Passed Through the City and County of San Francisco	93.914	1000024465	<u>556,730</u>
Subtotal - Emergency Relief Project Grants	93.914		<u>1,405,925</u>
HIV Prevention Activities Health Department Based Passed Through the City and County of San Francisco	93.940	1000013322	<u>13,132</u>
Total U.S. Department of Health and Human Services			<u>1,419,057</u>
Total expenditures of federal awards			<u>\$ 1,419,057</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, 2024

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, 2024. 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, 2024, 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 January 17, 2025.

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 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 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
January 17, 2025

**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, 2024. 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, 2024.

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.

Report on 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 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.

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.

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.

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
January 17, 2025

SHANTI PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

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> </u> Yes	<u> X </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> </u> Yes	<u> X </u> No
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Identification of major federal programs:

Federal Assistance Listing Number

93.686

Name of Federal Program or Cluster

Ending the HIV Epidemic: A Plan for America – Ryan
White HIV/AIDS Program Parts A and B

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, 2024

II. Financial Statement Findings

None.

III. Federal Awards Findings and Questioned Costs

None.

IV. Prior Year Findings

None.