

SHANTI ORANGE COUNTY

FINANCIAL STATEMENTS

Years ended February 29, 2012 and February 28, 2011

(With Independent Auditors' Report Thereon)

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SHANTI ORANGE COUNTY

FINANCIAL STATEMENTS

Years ended February 29, 2012 and February 28, 2011

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses – Year Ended February 29, 2012	4
Statement of Functional Expenses – Year Ended February 28, 2011	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

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SHANTI ORANGE COUNTY

Board of Directors

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Shanti Orange County, a nonprofit corporation, as of February 29, 2012 and February 28, 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Shanti Orange County. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Shanti Orange County as of February 29, 2012 and February 28, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have also issued a report dated July 2, 2012 on our consideration of Shanti Orange County's internal control over financial reporting and our test of its compliance and other matters with certain provisions of laws, regulations, contracts and grants. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California

July 2, 2012

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SHANTI ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION

February 29, 2012 and February 28, 2011

	2012	2011
<u>ASSETS</u>		
Current assets:		
Cash and investments (note 2)	\$ 536,193	570,646
Grants receivable (note 3)	17,229	3,195
Deposits	6,500	4,000
Prepaid expenses	5,211	3,500
TOTAL CURRENT ASSETS	565,133	581,341
Noncurrent assets:		
Property and equipment, net of accumulated depreciation (note 4)	7,608	11,915
TOTAL NONCURRENT ASSETS	7,608	11,915
TOTAL ASSETS	\$ 572,741	593,256
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accrued liabilities (note 1i)	\$ 39,081	47,931
Deferred rent (note 5)	18,949	-
TOTAL CURRENT LIABILITIES	58,030	47,931
Net assets (note 6):		
Unrestricted	484,409	542,447
Temporarily restricted	30,302	2,878
TOTAL NET ASSETS	514,711	545,325
TOTAL LIABILITIES AND NET ASSETS	\$ 572,741	593,256

See the accompanying notes to financial statements.

SHANTI ORANGE COUNTY
STATEMENTS OF ACTIVITIES

Years ended February 29, 2012 and February 28, 2011

	2012	2011
<u>UNRESTRICTED NET ASSETS</u>		
Support and revenues:		
Grants and contracts	\$ 277,077	231,462
Contributions	7,405	15,408
Bequests	6,815	365,150
Special events - net of direct costs	46,615	42,887
Investment income	13,334	2,529
Referral fees	-	50
Mental health income	5,351	3,431
Net assets released from purpose restrictions	1,586	24,303
TOTAL SUPPORT AND REVENUES	358,183	685,220
Expenses:		
Program services:		
Case management services	93,846	114,732
Mental health services	110,771	130,489
Education and prevention	96,287	99,485
Home delivered meals	57,690	62,125
TOTAL PROGRAM SERVICES	358,594	406,831
Supporting services:		
Fundraising	42,365	46,093
General and administrative	15,262	21,752
Total supporting services	57,627	67,845
Total expenses	416,221	474,676
Increase (decrease) in unrestricted net assets	(58,038)	210,544
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support and revenues:		
Contributions	19,950	17,500
Special events - net of direct costs	9,060	-
Total support and revenues	29,010	17,500
Net assets released from purpose restrictions	(1,586)	(24,303)
Increase (decrease) in temporarily restricted net assets	27,424	(6,803)
Increase (decrease) in net assets	(30,614)	203,741
Net assets at beginning of year	545,325	341,584
Net assets at end of year	\$ 514,711	545,325

See the accompanying notes to financial statements.

SHANTI ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

Year ended February 29, 2012

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	\$ 58,893	26,626	46,253
Payroll taxes	5,202	2,351	4,110
Employee benefits	4,589	3,699	6,716
TOTAL SALARIES AND RELATED EXPENSES	68,684	32,676	57,079
Advertising and public relations	756	197	1,442
Rent (note 5)	13,469	14,137	16,756
Accounting and audit	3,565	3,565	5,063
Meals delivered	-	-	-
Conferences	-	-	1,741
Telephone	673	673	1,392
Office supplies	1,510	904	3,150
Postage	100	543	200
Insurance	1,105	1,105	2,210
Mileage	733	96	578
Repairs & maintenance	266	266	532
Miscellaneous	274	265	722
Direct services - professional	2,711	56,344	5,422
OTHER EXPENSES BEFORE DEPRECIATION	25,162	78,095	39,208
DEPRECIATION (NOTE 4)	-	-	-
TOTAL EXPENSES	\$ 93,846	110,771	96,287

See the accompanying notes to financial statements.

Program Services		Supporting Services			
Home Delivered			General and		
Meals	Total	Fundraising	Administrative	Total	Totals
13,845	145,617	9,000	4,772	13,772	159,389
1,224	12,887	785	431	1,216	14,103
3,284	18,288	1,065	427	1,492	19,780
<u>18,353</u>	<u>176,792</u>	<u>10,850</u>	<u>5,630</u>	<u>16,480</u>	<u>193,272</u>
-	2,395	313	-	313	2,708
7,274	51,636	2,680	1,122	3,802	55,438
1,378	13,571	345	345	690	14,261
26,968	26,968	-	-	-	26,968
-	1,741	-	-	-	1,741
601	3,339	34	34	68	3,407
539	6,103	986	30	1,016	7,119
50	893	25	25	50	943
553	4,973	276	276	552	5,525
92	1,499	304	22	326	1,825
266	1,330	-	-	-	1,330
260	1,521	117	66	183	1,704
1,356	65,833	26,435	678	27,113	92,946
<u>39,337</u>	<u>181,802</u>	<u>31,515</u>	<u>2,598</u>	<u>34,113</u>	<u>215,915</u>
-	-	-	7,034	7,034	7,034
<u>57,690</u>	<u>358,594</u>	<u>42,365</u>	<u>15,262</u>	<u>57,627</u>	<u>416,221</u>

See the accompanying notes to financial statements.

SHANTI ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

Year ended February 28, 2011

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	\$ 71,995	26,387	52,699
Payroll taxes	6,094	2,531	4,579
Employee benefits	6,657	3,618	3,964
TOTAL SALARIES AND RELATED EXPENSES	84,746	32,536	61,242
Advertising and public relations	3,794	3,794	4,663
Rent (note 5)	13,961	13,961	13,961
Accounting and audit	3,285	3,285	2,628
Meals delivered	-	-	-
Conferences	-	-	3,686
Telephone	1,598	1,598	1,470
Office supplies	1,697	1,253	5,503
Postage	578	578	693
Insurance	1,317	1,317	1,976
Mileage	1,100	238	623
Equipment rental	329	329	658
Repairs & maintenance	162	162	162
Miscellaneous	490	491	545
Direct services - professional	1,675	70,947	1,675
OTHER EXPENSES BEFORE DEPRECIATION	29,986	97,953	38,243
DEPRECIATION (NOTE 4)	-	-	-
TOTAL EXPENSES	\$ 114,732	130,489	99,485

See the accompanying notes to financial statements.

Program Services		Supporting Services			
Home Delivered			General and		
Meals	Total	Fundraising	Administrative	Total	Totals
18,889	169,970	34,993	7,939	42,932	212,902
1,676	14,880	1,149	685	1,834	16,714
2,872	17,111	1,429	363	1,792	18,903
<u>23,437</u>	<u>201,961</u>	<u>37,571</u>	<u>8,987</u>	<u>46,558</u>	<u>248,519</u>
1,408	13,659	1,493	-	1,493	15,152
8,506	50,389	2,856	2,597	5,453	55,842
2,628	11,826	657	657	1,314	13,140
18,686	18,686	-	-	-	18,686
-	3,686	-	-	-	3,686
1,598	6,264	89	64	153	6,417
1,478	9,931	39	-	39	9,970
231	2,080	116	116	232	2,312
1,317	5,927	329	329	658	6,585
179	2,140	445	3	448	2,588
329	1,645	-	-	-	1,645
162	648	-	-	-	648
491	2,017	231	136	367	2,384
1,675	75,972	2,267	-	2,267	78,239
<u>38,688</u>	<u>204,870</u>	<u>8,522</u>	<u>3,902</u>	<u>12,424</u>	<u>217,294</u>
-	-	-	8,863	8,863	8,863
<u>62,125</u>	<u>406,831</u>	<u>46,093</u>	<u>21,752</u>	<u>67,845</u>	<u>474,676</u>

See the accompanying notes to financial statements.

SHANTI ORANGE COUNTY
STATEMENTS OF CASH FLOWS

Years ended February 29, 2012 and February 28, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (30,614)	203,741
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	7,034	8,863
(Increase) decrease in grants receivable	(14,034)	17,708
(Increase) decrease in prepaid expenses	(1,711)	(100)
(Increase) decrease in deposits	(2,500)	16,575
Increase (decrease) in accrued liabilities	(8,850)	15,473
Increase (decrease) in deferred rent	18,949	-
TOTAL ADJUSTMENTS	(1,112)	58,519
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(31,726)	262,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	30,620	206,208
Purchases of investments	(177,057)	(263,819)
Purchase of fixed assets	(2,727)	(18,912)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(149,164)	(76,523)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(180,890)	185,737
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	276,207	90,470
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 95,317	276,207
Reconciliation of cash and cash equivalents to amounts reported on the Statements of Financial Position:		
Cash and investments	\$ 536,193	570,646
Less: non-cash equivalents	(440,876)	(294,439)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 95,317	276,207

NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no significant noncash investing and financing activities for the fiscal years ended February 29, 2012 and February 28, 2011.

See the accompanying notes to financial statements.

FINANCIAL STATEMENTS

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

Years ended February 29, 2012 and February 28, 2011

(1) Summary of significant accounting policies

Shanti Orange County (the "Organization" or "Shanti") is a California nonprofit corporation whose mission is to strive to preserve the dignity and well-being of individuals living with HIV and AIDS by providing life enhancing supportive services, education and psychological care. The Organization is also known as the HIV/AIDS Agency with the Caring Heart.

The main goal is to provide personalized services in a safe and confidential environment.

A description of the Organization's program services are as follows:

Case Management services provide Shanti clients important linkages and referrals to the wide range of services crucial to maintaining health and well-being while living with HIV disease. The goal is to assist consumers in the management of HIV disease. An individualized service plan, a needs assessment and an action plan are developed and followed on an ongoing basis to assure direction and assistance. Referrals to services include medical care, pharmaceutical case management for drug assistance, housing options, practical services, benefits counseling, food/meals and mental health services.

Mental Health services provide Shanti clients with psychological services in the form of weekly group therapy and individual psychotherapy. The goal is to assist clients with managing the profound psychological impact of HIV/AIDS on their lives and to help strengthen their inner resources to maintain medical treatment and cope with the disease. These services help overcome the isolation and stigma that many patients may experience, and offer them opportunities to re-engage with fellow sufferers and find new meaning and hope in their lives.

Education and Prevention— Shanti Orange County's HIV/AIDS Education Outreach and Prevention Program provides critical information and support to empower those living with HIV/AIDS so that they can better adhere to medical treatment, achieve optimal wellness, and prevent further spread of the disease.

The program includes the following components:

- Big 7 Seminar Series - a monthly seminar series disseminating information essential to people living with HIV/AIDS.
- EMPOWER Seminars - an *educational* program that draws on the expertise of well-known healthcare professionals in the care and treatment of HIV/AIDS.
- Club Med Z - an innovative adherence group that assists patients with understanding and maintaining medication compliance and adherence to medical treatment for HIV/AIDS.

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of significant accounting policies, (continued)**

- Circle of Women open to the growing number of women impacted by HIV/AIDS. The Circle of Women includes monthly support groups and a quarterly education series that provides information on HIV/AIDS, its transmission, treatment, and prevention.
- Shanti Ambassadors- a supportive group of consumers and community volunteers working together to promote healthy living while planning and coordinating activities and trainings to educate the community at large regarding HIV and AIDS.

Home Delivered Meals program serves homebound and disabled, low-income individuals living with HIV/AIDS by providing nutritious meals delivered daily by caring volunteers.

The following summary of significant accounting policies identifies specific accounting principles applied in the accompanying financial statements.

(a) Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(b) Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization had deposits in excess of federally insured limits at February 29, 2012 and February 28, 2011 of \$260,586 and \$317,066, respectively.

(c) Fair value measurements

The Organization follows ASC 958-205, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 958-205 are described as follows:

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) Summary of significant accounting policies, (continued)

(c) Fair value measurements, (continued)

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of February 29, 2012:

	<u>Investments at Fair Value as of February 29, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stocks	\$ 289,019	-	-	289,019
Mutual Funds	51,054	-	-	51,054
Corporate Notes	-	100,803	-	100,803
	<u>\$ 340,073</u>	<u>100,803</u>	<u>-</u>	<u>440,876</u>

	<u>Investments at Fair Value as of February 28, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 294,439</u>	<u>-</u>	<u>-</u>	<u>294,439</u>

(d) Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(e) Restricted and unrestricted revenue and support

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) Summary of significant accounting policies, (continued)

(e) Restricted and unrestricted revenue and support, (continued)

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(f) Property and equipment

Property and equipment exceeding \$5,000 and an estimated useful life of 3 years or more are recorded at cost. Donated items are recorded at management's best estimate of the fair market value at the time of donation. Furniture and fixtures and equipment are depreciated over an estimated useful life of 3 to 5 years using the straight-line method, assuming no salvage value.

(g) Federal and state income taxes

The Organization is organized as a not-for-profit entity under the general nonprofit corporation laws of the State of California. A determination letter confirming exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code has been obtained. Revenues subject to unrelated business income tax (UBIT) were insignificant and would not generate a tax liability. In addition, an exemption from California franchise taxes has been obtained. Therefore, no provision has been made for Federal income taxes or State franchise taxes in the accompanying financial statements.

(h) Donated equipment and services

Donated non-cash contributions have been reflected in the accompanying statements at their estimated market value at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers' time not meeting this criterion have not been recorded in the financial statements.

(i) Accrued liabilities

The Organization's policy is to record accumulated vacation when earned. As of February 29, 2012 and February 28, 2011, accrued liabilities were \$39,081 and

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) Summary of significant accounting policies, (continued)

(i) Accrued liabilities, (continued)

\$47,931, respectively. Of this amount, \$19,980 and \$18,607 was accrued vacation liability as of February 29, 2012 and February 28, 2011, respectively.

(j) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amount of assets, liabilities, revenues, and expenses, as well as contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements.

(k) Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the "Statement of Activities" and in the "Statement of Functional Expenses." Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Prior year reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

(m) Subsequent events

Subsequent events have been evaluated by management through July 2, 2012, which is the date the financial statements were available to be issued.

(2) Cash and investments

Cash and investments consisted of the following at the end of February:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 95,317	276,207
Investments	<u>440,876</u>	<u>294,439</u>
	<u>\$536,193</u>	<u>570,646</u>

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments, (continued)

Cash and cash equivalents consisted of the following at the end of February:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 50	50
Demand deposits	25,557	4,345
Money market funds	<u>69,710</u>	<u>271,812</u>
	<u>\$ 95,317</u>	<u>276,207</u>

Investments consisted of the following at the end of February:

	<u>2012</u>	<u>2011</u>
Certificates of Deposit	\$ -	294,439
Corporate Stocks	289,019	-
Mutual Funds	51,054	-
Corporate Notes	<u>100,803</u>	<u>-</u>
	<u>\$440,876</u>	<u>294,439</u>

(3) Grants receivable

The Organization has entered into a contract with the County of Orange, under Ryan White Titles, to provide services to persons affected with HIV. This grant is paid on a reimbursement basis, up to the maximum amount allowed under the terms of the grant. The Organization reported revenue of \$197,577 and \$188,628 under the Ryan White Titles for the years ended February 29, 2012 and February 28, 2011, respectively, and the receivable as of February 29, 2012 and February 28, 2011 was \$17,229 and \$3,195, respectively.

(4) Property and equipment

Property and equipment consisted of the following at the end of February:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 2,721	27,702
Furniture and fixtures	13,902	13,374
Leasehold improvements	-	<u>11,697</u>
Total	<u>16,623</u>	<u>52,773</u>
Accumulated depreciation	<u>(9,015)</u>	<u>(40,858)</u>
Net property and equipment	<u>\$7,608</u>	<u>11,915</u>

Depreciation expense for the years ended February 29, 2012 and February 28, 2011 was \$7,034 and \$8,863, respectively.

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

(Continued)

(5) Deferred Rent

In September 2011, the Organization entered into a sublease agreement with Dolphinshire/Fountain Plaza, L.L.C. ("Lessor") commencing on November 1, 2011 for offices located in Laguna Hills, California. Monthly rent is \$5,211 per month commencing May 1, 2012 until the lease agreement ends April 30, 2017.

The Organization records rent expense on a straight-line basis. The deferred rent liability pertaining to the free rent at the beginning of the lease and future rent increases has been calculated and will be recognized over the term of the lease. Minimum future rental payments under the lease are summarized as follows:

<u>Year Ending</u> <u>February 28</u>	<u>Rent</u> <u>Payments</u>	<u>Deferred</u> <u>Rent</u>	<u>Total Rent</u> <u>Expense</u>
2013	\$ 52,110	4,737	56,847
2014	62,532	(5,685)	56,847
2015	62,532	(5,685)	56,847
2016	62,532	(5,685)	56,847
2017	62,532	(5,685)	56,847
2018	<u>10,422</u>	<u>(946)</u>	<u>9,476</u>
	<u>\$ 312,660</u>	<u>(18,949)</u>	<u>293,711</u>

Rent expense, including utilities and relocation costs, for the years ended February 29, 2012 and February 28, 2011 were \$55,438 and \$55,842, respectively.

(6) Net assets

	<u>2012</u>	<u>2011</u>
Unrestricted net assets:		
Investment in property and equipment	\$ 7,608	11,915
Undesignated - available for programs	<u>507,103</u>	<u>530,532</u>
Total unrestricted net assets	<u>514,711</u>	<u>542,447</u>
Temporarily restricted net assets:		
Restricted for Education Lecture Series	2,864	-
Restricted for Capital Campaign	2,500	2,500
Restricted for Home Delivered Meals	<u>24,938</u>	<u>378</u>
Total temporarily restricted net assets	<u>30,302</u>	<u>2,878</u>
Total net assets	<u>\$514,711</u>	<u>545,325</u>

SHANTI ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS

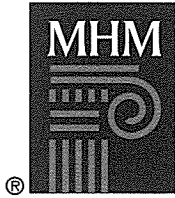
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(7) Commitments and contingencies

The Organization receives a substantial portion of its revenues from government grants and contracts, all of which are subject to audit by the government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

(8) Concentrations

The Organization's sources of revenues are mainly from government grants and private donations. Of the total revenues, approximately 51% and 28% was received from the County of Orange for the years ended February 29, 2012 and February 28, 2011, respectively.



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**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors

SHANTI ORANGE COUNTY

We have audited the financial statements of Shanti Orange County (a non-profit organization), as of and for the year ended February 29, 2012, and have issued our report thereon dated July 2, 2012. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shanti Orange County'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 determination of financial statement amounts. 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*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

Board of Directors
Shanti Orange County
Page Two

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described in the preceding paragraph.

This report is intended solely for the information and use of the Board of Directors, Shanti Orange County's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
July 2, 2012

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