

**SHANTI ORANGE COUNTY**

**FINANCIAL STATEMENTS**

Years ended February 28, 2013 and February 29, 2012

(With Independent Auditors' Report Thereon)

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**SHANTI ORANGE COUNTY**

**FINANCIAL STATEMENTS**

Years ended February 28, 2013 and February 29, 2012

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**SHANTI ORANGE COUNTY**  
Board of Directors

## **INDEPENDENT AUDITORS' REPORT**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Shanti Orange County, which comprise the statements of financial position as of February 28, 2013 and February 29, 2012, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shanti Orange County as of February 28, 2013 and February 29, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of Shanti Orange County'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shanti Orange County's internal control over financial reporting and compliance.

*Mayer Hoffman McCann P.C.*

Irvine, California  
June 28, 2013

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## **FINANCIAL STATEMENTS**



**SHANTI ORANGE COUNTY**

**STATEMENTS OF FINANCIAL POSITION**

February 28, 2013 and February 29, 2012

	2013	2012
<b><u>ASSETS</u></b>		
Current assets:		
Cash and investments (note 2)	\$ 554,006	536,193
Grants receivable (note 3)	21,711	17,229
Deposits	6,500	6,500
Prepaid expenses	10,442	5,211
TOTAL CURRENT ASSETS	592,659	565,133
Noncurrent assets:		
Property and equipment, net of accumulated depreciation (note 4)	5,390	7,608
TOTAL NONCURRENT ASSETS	5,390	7,608
TOTAL ASSETS	\$ 598,049	572,741
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accrued liabilities (note 1i)	\$ 39,337	39,081
Deferred rent (note 5)	23,686	18,949
TOTAL CURRENT LIABILITIES	63,023	58,030
Net assets (note 6):		
Unrestricted	514,696	484,409
Temporarily restricted	20,330	30,302
TOTAL NET ASSETS	535,026	514,711
TOTAL LIABILITIES AND NET ASSETS	\$ 598,049	572,741

See the accompanying notes to financial statements.

SHANTI ORANGE COUNTY

STATEMENTS OF ACTIVITIES

Years ended February 28, 2013 and February 29, 2012

	<u>2013</u>	<u>2012</u>
<u>UNRESTRICTED NET ASSETS</u>		
Support and revenues:		
Grants and contracts	\$262,913	277,077
Contributions	17,633	7,405
Bequests	5,000	6,815
Special events - net of direct costs	58,585	46,615
Investment income	36,556	13,334
Mental health income	3,745	5,351
Net assets released from purpose restrictions	<u>27,952</u>	<u>1,586</u>
TOTAL SUPPORT AND REVENUES	<u>412,384</u>	<u>358,183</u>
Expenses:		
Program services:		
Case management services	99,630	93,846
Mental health services	107,508	110,771
Education and prevention	79,003	96,287
Home delivered meals	<u>45,897</u>	<u>57,690</u>
TOTAL PROGRAM SERVICES	<u>332,038</u>	<u>358,594</u>
Supporting services:		
Fundraising	39,871	42,365
General and administrative	<u>10,188</u>	<u>15,262</u>
Total supporting services	<u>50,059</u>	<u>57,627</u>
Total expenses	<u>382,097</u>	<u>416,221</u>
Increase (decrease) in unrestricted net assets	<u>30,287</u>	<u>(58,038)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support and revenues:		
Contributions	17,980	19,950
Special events - net of direct costs	<u>-</u>	<u>9,060</u>
Total support and revenues	17,980	29,010
Net assets released from purpose restrictions	<u>(27,952)</u>	<u>(1,586)</u>
Increase (decrease) in temporarily restricted net assets	<u>(9,972)</u>	<u>27,424</u>
Increase (decrease) in net assets	20,315	(30,614)
Net assets at beginning of year	<u>514,711</u>	<u>545,325</u>
Net assets at end of year	<u>\$535,026</u>	<u>514,711</u>

See the accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended February 28, 2013

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	\$ 61,946	28,947	35,462
Payroll taxes	5,700	2,109	3,170
Employee benefits	7,395	3,697	5,065
TOTAL SALARIES AND RELATED EXPENSES	75,041	34,753	43,697
Advertising and public relations	863	326	1,576
Rent (note 5)	14,194	14,194	19,977
Accounting and audit	4,005	4,005	4,451
Meals delivered	-	-	-
Conferences	-	-	150
Telephone	705	705	987
Office supplies	1,459	1,830	1,969
Postage	86	623	86
Insurance	909	909	2,726
Mileage	993	117	532
Miscellaneous	307	294	539
Direct services - professional	1,068	49,752	2,313
OTHER EXPENSES BEFORE DEPRECIATION	24,589	72,755	35,306
DEPRECIATION (note 4)	-	-	-
TOTAL EXPENSES	\$ 99,630	107,508	79,003

See accompanying notes to financial statements

Program Services		Supporting Services			
Home Delivered			General and		
Meals	Total	Fundraising	Administrative	Total	Totals
13,565	139,920	29,564	4,523	34,087	174,007
1,225	12,204	948	411	1,359	13,563
1,441	17,598	1,291	783	2,074	19,672
<u>16,231</u>	<u>169,722</u>	<u>31,803</u>	<u>5,717</u>	<u>37,520</u>	<u>207,242</u>
-	2,765	477	-	477	3,242
5,677	54,042	1,732	1,135	2,867	56,909
1,484	13,945	445	445	890	14,835
19,952	19,952	-	-	-	19,952
-	150	-	-	-	150
438	2,835	65	-	65	2,900
660	5,918	446	-	446	6,364
14	809	14	-	14	823
454	4,998	198	228	426	5,424
117	1,759	416	28	444	2,203
293	1,433	113	40	153	1,586
577	53,710	4,162	377	4,539	58,249
<u>29,666</u>	<u>162,316</u>	<u>8,068</u>	<u>2,253</u>	<u>10,321</u>	<u>172,637</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,218</u>	<u>2,218</u>	<u>2,218</u>
<u>45,897</u>	<u>332,038</u>	<u>39,871</u>	<u>10,188</u>	<u>50,059</u>	<u>382,097</u>

See 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>
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,034</u>	<u>7,034</u>	<u>7,034</u>
<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**  
**STATEMENTS OF CASH FLOWS**

Years ended February 28, 2013 and February 29, 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	<u>\$ 20,315</u>	<u>(30,614)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	2,218	7,034
Net realized and unrealized loss (gain) on sale of investments	(20,147)	-
(Increase) decrease in grants receivable	(4,482)	(14,034)
(Increase) decrease in prepaid expenses	(5,231)	(1,711)
(Increase) decrease in deposits	-	(2,500)
Increase (decrease) in accrued liabilities	256	(8,850)
Increase (decrease) in deferred rent	<u>4,737</u>	<u>18,949</u>
<b>TOTAL ADJUSTMENTS</b>	<u>(22,649)</u>	<u>(1,112)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(2,334)</u>	<u>(31,726)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	588,154	30,620
Purchases of investments	(577,224)	(177,057)
Purchase of fixed assets	<u>-</u>	<u>(2,727)</u>
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>10,930</u>	<u>(149,164)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,596	(180,890)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>95,317</u>	<u>276,207</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 103,913</u>	<u>95,317</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statements of Financial Position:		
Cash and investments	\$ 554,006	536,193
Less: non-cash equivalents	<u>(450,093)</u>	<u>(440,876)</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 103,913</u>	<u>95,317</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

There were no significant noncash investing and financing activities for the fiscal years ended February 28, 2013 and February 29, 2012.

See the accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

Years ended February 28, 2013 and February 29, 2012

**(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.

**(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 28, 2013:

	<u>Investments at Fair Value as of February 28, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stocks	\$ 290,030	-	-	290,030
Mutual Funds	51,861	-	-	51,861
Corporate Notes	-	<u>108,202</u>	-	<u>108,202</u>
	<u>\$ 341,891</u>	<u>108,202</u>	<u>-</u>	<u>450,093</u>

	<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	-	<u>100,803</u>	-	<u>100,803</u>
	<u>\$ 340,073</u>	<u>100,803</u>	<u>-</u>	<u>440,876</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.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

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

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. 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 \$500 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.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

**(i) Accrued liabilities**

The Organization's policy is to record accumulated vacation when earned. As of February 28, 2013 and February 29, 2012, accrued liabilities were \$39,337 and \$39,081, respectively. Of this amount, \$20,361 and \$19,980 was accrued vacation liability as of February 28, 2013 and February 29, 2012, 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 June 28, 2013, 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>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 103,913	95,317
Investments	<u>450,093</u>	<u>440,876</u>
	<u>\$554,006</u>	<u>536,193</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>2013</u>	<u>2012</u>
Petty cash	\$ 50	50
Demand deposits	36,814	25,557
Money market funds	<u>67,049</u>	<u>69,710</u>
	<u>\$103,913</u>	<u>95,317</u>

Investments consisted of the following at the end of February:

	<u>2013</u>	<u>2012</u>
Corporate Stocks	\$ 290,030	289,019
Mutual Funds	51,861	51,054
Corporate Notes	<u>108,202</u>	<u>100,803</u>
	<u>\$450,093</u>	<u>440,876</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 \$195,413 and \$197,577 under the Ryan White Titles for the years ended February 28, 2013 and February 29, 2012, respectively, and the receivable as of February 28, 2013 and February 29, 2012 was \$21,711 and \$17,229, respectively.

**(4) Property and equipment**

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ 2,032	2,721
Furniture and fixtures	<u>9,064</u>	<u>13,902</u>
Total	11,096	16,623
Accumulated depreciation	<u>(5,706)</u>	<u>(9,015)</u>
Net property and equipment	<u>\$ 5,390</u>	<u>7,608</u>

Depreciation expense for the years ended February 28, 2013 and February 29, 2012 was \$2,218 and \$7,034, 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>
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>\$ 260,550</u>	<u>(23,686)</u>	<u>236,864</u>

Rent expense, including utilities and relocation costs, for the years ended February 28, 2013 and February 29, 2012 were \$56,847 and \$55,438, respectively.

**(6) Net assets**

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Investment in property and equipment	\$ 5,390	7,608
Undesignated - available for programs	<u>529,636</u>	<u>507,103</u>
Total unrestricted net assets	<u>535,026</u>	<u>514,711</u>
Temporarily restricted net assets:		
Restricted for Education Lecture Series	2,672	2,864
Restricted for Capital Campaign	-	2,500
Restricted for Home Delivered Meals	<u>17,658</u>	<u>24,938</u>
Total temporarily restricted net assets	<u>20,330</u>	<u>30,302</u>
Total net assets	<u>\$535,026</u>	<u>514,711</u>

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**(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 49% and 51% was received from the County of Orange for the years ended February 28, 2013 and February 29, 2012, respectively.



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### **SHANTI ORANGE COUNTY**

#### ***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***

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 Orange County (a non-profit organization), which comprise the statement of financial position as of February 28, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2013.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Shanti Orange County's internal control over financial reporting (internal control) to determine the 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 Shanti Orange County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shanti Orange County'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 may exist that have not been identified.



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shanti Orange County's financial statements are free from 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*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mayer Hoffman McCann P.C.*

Irvine, California  
June 28, 2013

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