

**SHANTI ORANGE COUNTY**  
**FINANCIAL STATEMENTS**

Year ended February 28, 2014

(With Independent Auditors' Report Thereon)

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**SHANTI ORANGE COUNTY**  
**FINANCIAL STATEMENTS**

Year ended February 28, 2014

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Board of Directors  
Shanti Orange County  
Laguna Hills, California

*Independent Auditors' Report*

We have audited the accompanying financial statements of Shanti Orange County, which comprise the statement of financial position as of February 28, 2014, and the related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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. 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 auditors' 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 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Shanti's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2014 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  
July 7, 2014

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## **FINANCIAL STATEMENTS**



**SHANTI ORANGE COUNTY**  
**STATEMENT OF FINANCIAL POSITION**

February 28, 2014  
(with comparative totals as of February 28, 2013)

	2014	2013
<b><u>ASSETS</u></b>		
Current assets:		
Cash and investments (note 2)	\$ 550,445	554,006
Grants receivable (note 3)	11,505	21,711
Deposits	6,500	6,500
Prepaid expenses	-	10,442
TOTAL CURRENT ASSETS	568,450	592,659
Noncurrent assets:		
Property and equipment, net of accumulated depreciation (note 4)	3,171	5,390
TOTAL NONCURRENT ASSETS	3,171	5,390
TOTAL ASSETS	\$ 571,621	598,049
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accrued liabilities (note 1j)	\$ 29,325	39,337
Deferred rent (note 5)	18,001	23,686
TOTAL CURRENT LIABILITIES	47,326	63,023
Net assets (note 6):		
Unrestricted	516,879	514,696
Temporarily restricted	7,416	20,330
TOTAL NET ASSETS	524,295	535,026
TOTAL LIABILITIES AND NET ASSETS	\$ 571,621	598,049

See the accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**

**STATEMENT OF ACTIVITIES**

Year ended February 28, 2014  
(with comparative totals for the year ended February 28, 2013)

	2014	2013
<b><u>UNRESTRICTED NET ASSETS</u></b>		
Support and revenues:		
Grants and contracts	\$ 274,540	262,913
Contributions	15,571	17,633
Bequests	-	5,000
Special events - net of direct costs	67,130	58,585
Investment income	35,439	36,556
Donated services	44,717	-
Mental health income	3,905	3,745
Net assets released from purpose restrictions	16,680	27,952
<b>TOTAL SUPPORT AND REVENUES</b>	<b>457,982</b>	<b>412,384</b>
Expenses:		
Program services:		
Case management services	113,780	99,630
Mental health services	159,623	107,508
Education and prevention	85,878	79,003
Home delivered meals	52,433	45,897
<b>TOTAL PROGRAM SERVICES</b>	<b>411,714</b>	<b>332,038</b>
Supporting services:		
Fundraising	36,703	39,871
General and administrative	7,382	10,188
Total supporting services	44,085	50,059
Total expenses	455,799	382,097
Increase (decrease) in unrestricted net assets	2,183	30,287
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
Support and revenues:		
Contributions	3,766	17,980
Total support and revenues	3,766	17,980
Net assets released from purpose restrictions	(16,680)	(27,952)
Increase (decrease) in temporarily restricted net assets	(12,914)	(9,972)
Increase (decrease) in net assets	(10,731)	20,315
Net assets at beginning of year	535,026	514,711
Net assets at end of year	\$ 524,295	535,026

See the accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended February 28, 2014  
(with comparative totals for the year ended February 28, 2013)

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	\$ 71,591	19,655	44,064
Payroll taxes	6,167	2,036	3,804
Employee benefits	6,844	2,529	4,039
	<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>24,220</b>	<b>51,907</b>
Advertising and public relations	296	296	469
Rent (note 5)	17,633	17,633	17,633
Accounting and audit	3,656	4,388	4,388
Donated services	-	44,717	-
Meals delivered	-	-	-
Conferences	289	190	289
Telephone & IT	2,427	2,367	2,828
Office supplies	452	832	3,696
Postage	60	60	60
Insurance	2,524	1,910	2,438
Mileage	912	76	1,122
Miscellaneous	315	263	587
Direct services - professional	-	62,051	-
	<b>OTHER EXPENSES BEFORE DEPRECIATION</b>	<b>134,783</b>	<b>33,510</b>
DEPRECIATION (note 4)	614	620	461
<b>TOTAL EXPENSES</b>	<b>\$ 113,780</b>	<b>159,623</b>	<b>85,878</b>

See accompanying notes to financial statements

Program Services		Supporting Services			Totals	
Home Delivered			General and		2014	2013
Meals	Total	Fundraising	Administrative	Total		
24,072	159,382	10,906	4,392	15,298	174,680	174,007
2,072	14,079	940	378	1,318	15,397	13,563
2,153	15,565	982	397	1,379	16,944	19,672
<u>28,297</u>	<u>189,026</u>	<u>12,828</u>	<u>5,167</u>	<u>17,995</u>	<u>207,021</u>	<u>207,242</u>
-	1,061	119	-	119	1,180	3,242
3,528	56,427	1,175	1,175	2,350	58,777	56,909
1,316	13,748	439	439	878	14,626	14,835
-	44,717	-	-	-	44,717	-
16,593	16,593	-	-	-	16,593	19,952
145	913	46	-	46	959	150
557	8,179	354	119	473	8,652	2,900
443	5,423	314	-	314	5,737	6,364
10	190	5	5	10	200	823
926	7,798	454	366	820	8,618	5,424
70	2,180	413	32	445	2,625	2,203
263	1,428	2,965	39	3,004	4,432	1,586
-	62,051	17,391	-	17,391	79,442	58,249
<u>23,851</u>	<u>220,708</u>	<u>23,675</u>	<u>2,175</u>	<u>25,850</u>	<u>246,558</u>	<u>172,637</u>
<u>285</u>	<u>1,980</u>	<u>200</u>	<u>40</u>	<u>240</u>	<u>2,220</u>	<u>2,218</u>
<u>52,433</u>	<u>411,714</u>	<u>36,703</u>	<u>7,382</u>	<u>44,085</u>	<u>455,799</u>	<u>382,097</u>

See accompanying notes to financial statements

**SHANTI ORANGE COUNTY**  
**STATEMENT OF CASH FLOWS**

Year ended February 28, 2014  
(with comparative totals for the year ended February 28, 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (10,731)	20,315
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	2,220	2,218
Net realized and unrealized loss (gain) on sale of investments	(29,488)	(20,147)
(Increase) decrease in grants receivable	10,206	(4,482)
(Increase) decrease in prepaid expenses	10,442	(5,231)
Increase (decrease) in accrued liabilities	(10,012)	256
Increase (decrease) in deferred rent	(5,685)	4,737
<b>TOTAL ADJUSTMENTS</b>	<b>(22,317)</b>	<b>(22,649)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(33,048)</b>	<b>(2,334)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	543,952	588,154
Purchases of investments	(568,693)	(577,224)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(24,741)</b>	<b>10,930</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(57,789)</b>	<b>8,596</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>103,913</b>	<b>95,317</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 46,124</b>	<b>103,913</b>
Reconciliation of cash and cash equivalents to amounts reported on the Statements of Financial Position:		
Cash and investments	\$ 550,445	554,006
Less: non-cash equivalents	(504,321)	(450,093)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 46,124</b>	<b>103,913</b>

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

There were no significant noncash investing and financing activities for the fiscal years ended February 28, 2014 and February 28, 2013.

See the accompanying notes to financial statements.

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

Year ended February 28, 2014

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

Shanti Orange County (the “Organization” or “Shanti”) is a California non-profit 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 Organization’s programs are supported primarily by grant funding and fundraising activities.

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 the HIV disease. The goal is to assist consumers in the management of the 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 resolve to adhere to medical treatment in coping 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.

- *Navigating the Journey and Shanti Pathways* – a psychotherapeutic modality addressing issues of long term HIV/AIDS survivors. This eight session group explores health and life management respective of HIV/AIDS and can continue to meet individually to plan for their future, setting short term and long term goals.
- *Medi-Cal* – Shanti is currently in the application stages of becoming a Medi-Cal provider of mental health services. The Affordable Care Act has opened avenues for greater segments of the Orange County community to access individual and group therapy. Shanti has been providing these services for over 27 years and is positioned to respond to new opportunities.

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

(Continued)

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

**Education and Prevention**– Shanti Orange County's HIV/AIDS Education Outreach and Prevention Program provides critical information and support. Our goals are twofold; 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; and outreach to the greater community by providing seminars and discussion sessions with college and high school students, senior citizens, providers of services and as well as participate in community health and wellness fairs.

The program includes the following components:

- 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.
- Circulo Latino - open to Latino men and women living with HIV/AIDS. The Circulo Latino group, conducted in Spanish, includes monthly support and information on HIV/AIDS, its transmission, treatment, services available and prevention.
- Positive 12 Step Group - an Alcoholics Anonymous meeting for individuals living with HIV/AIDS in recovery. This group meets weekly and is peer led, dealing with issues surrounding HIV/AIDS and addiction in sobriety.
- 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.

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

(Continued)

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

**(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:

*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:

	<u>Investments at Fair Value as of February 28, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Stocks	\$ 345,743	-	-	345,743
Mutual Funds	52,295	-	-	52,295
Corporate Notes	-	<u>106,283</u>	-	<u>106,283</u>
	<u>\$398,038</u>	<u>106,283</u>	<u>-</u>	<u>504,321</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.



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

(Continued)

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

**(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. 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 capitalized and 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) Use of estimates**

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

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

(Continued)

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

**(i) 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. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. Donated services in the amount of \$44,717 were recorded during the year ended February 28, 2014.

**(j) Accrued liabilities**

The Organization's policy is to record accumulated vacation when earned. As of February 28, 2014, accrued liabilities were \$29,325. Of this amount, \$20,419 was accrued vacation liability as of February 28, 2014.

**(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 data**

Selected information regarding the prior year has been included in the accompanying combined financial statements. Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's prior year combined financial statements, from which this selected financial data was derived.

**(m) Subsequent events**

Subsequent events were evaluated through July 7, 2014, which is the date the financial statements were available to be issued.

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

(Continued)

**(2) Cash and investments**

Cash and investments consisted of the following at February 28, 2014:

Cash and cash equivalents	\$ 46,124
Investments	<u>504,321</u>
	<u>\$ 550,445</u>

Cash and cash equivalents consisted of the following at February 28, 2014:

Petty cash	\$ 50
Demand deposits	14,814
Money market funds	<u>31,260</u>
	<u>\$ 46,124</u>

Investments consisted of the following at February 28, 2014:

Corporate Stocks	\$ 345,743
Mutual Funds	52,295
Corporate Notes	<u>106,283</u>
	<u>\$ 504,321</u>

Investment return is summarized as follows for the year ended February 28, 2014:

Interest and dividends	\$ 15,778
Net realized and unrealized gains and losses	29,488
Investment fees	<u>(9,827)</u>
	<u>\$ 35,439</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 \$199,540, under the Ryan White Titles for the year ended February 28, 2014, and the receivable as of February 28, 2014 was \$639.

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

(Continued)

**(4) Property and equipment**

Property and equipment consisted of the following at February 28, 2014:

Equipment	\$ 2,031
Furniture and fixtures	<u>9,064</u>
Total	11,095
Accumulated depreciation	<u>(7,924)</u>
Net property and equipment	<u>\$ 3,171</u>

Depreciation expense for the year ended February 28, 2014 was \$2,220.

**(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>
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>\$ 198,018</u>	<u>(18,001)</u>	<u>180,017</u>

Rent expense, including utilities and relocation costs, for the year ended February 28, 2014 was \$58,777.

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

(Continued)

**(6) Net assets**

Net assets consisted of the following at February 28, 2014:

Unrestricted net assets:	
Investment in property and equipment	\$ 3,171
Undesignated - available for programs	<u>513,708</u>
Total unrestricted net assets	<u>516,879</u>
Temporarily restricted net assets:	
Restricted for Education Lecture Series	1,592
Restricted for Home Delivered Meals	<u>5,824</u>
Total temporarily restricted net assets	<u>7,416</u>
Total net assets	<u><u>\$524,295</u></u>

**(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 48% was received from the County of Orange for the year ended February 28, 2014.

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Board of Directors  
Shanti Orange County  
Laguna Hills, California

***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, 2014, 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 July 7, 2014.

***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  
July 7, 2014