SHANTI ORANGE COUNTY

FINANCIAL STATEMENTS

Year ended February 28, 2019

(With Independent Auditors' Report Thereon)

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SHANTI ORANGE COUNTY

FINANCIAL STATEMENTS

Year ended February 28, 2019

TABLE OF CONTENTS

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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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 ("Shanti"), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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, 2019, 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.

Emphasis of Matter

As described further in note 10 to the financial statements, during the year ended February 28, 2019, Shanti Orange County implemented Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-14: Presentation of Financial Statements for Not-for-Profit Entities which resulted in a prior period restatement of net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Shanti's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018 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 June 21, 2019 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.

Davis Farr LLP

Irvine, California
June 21, 2019

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FINANCIAL STATEMENTS

SHANTI ORANGE COUNTY

STATEMENT OF FINANCIAL POSITION

February 28, 2019
(with comparative totals as of February 28, 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and investments (note 2)	$ 311,528	278,961
Grants receivable (note 3)	63,273	66,833
Deposits	8,500	8,500
Prepaid expenses	7,233	-
TOTAL CURRENT ASSETS	390,534	354,294
Noncurrent assets:		
Property and equipment, net (note 4)	756	1,127
TOTAL NONCURRENT ASSETS	756	1,127
TOTAL ASSETS	$ 391,290	355,421
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued liabilities (note 1(i))	$ 54,283	48,715
Deferred rent (note 5)	16,214	15,595
TOTAL CURRENT LIABILITIES	70,497	64,310
Net assets:		
Without donor restrictions	315,793	288,611
With donor restrictions	5,000	2,500
TOTAL NET ASSETS	320,793	291,111
TOTAL LIABILITIES AND NET ASSETS	$ 391,290	355,421

See accompanying notes to financial statements.

SHANTI ORANGE COUNTY

STATEMENT OF ACTIVITIES

Year ended February 28, 2019
(with comparative totals for the year ended February 28, 2018)

	2019	2018
WITHOUT DONOR RESTRICTIONS		
Support and revenues:		
Grants and contracts	$ 363,803	303,758
Contributions	8,799	12,590
Special events, net of direct costs	11,839	76,767
Investment income, net	1,226	28,224
Mental health income	252,695	115,463
Miscellaneous revenue	15,830	6,191
Net assets released from purpose restrictions	4,688	-
Total support and revenues	658,880	542,993
Expenses:		
Program services:		
Case management services	179,412	214,293
Mental health services	363,749	249,934
Education and prevention	31,584	39,118
Total program services	574,745	503,345
Supporting services:		
Fundraising	31,155	45,440
General and administrative	23,610	14,635
Total supporting services	54,765	60,075
Total expenses	629,510	563,420
Increase (decrease) in net assets without donor restrictions	29,370	(20,427)
WITH DONOR RESTRICTIONS		
Support and revenues:		
Grants and contracts	-	2,500
Contributions	5,000	-
Total support and revenues	5,000	2,500
Net assets released from purpose restrictions	(4,688)	-
Increase (decrease) in net assets with donor restrictions	312	2,500
Increase (decrease) in net assets	29,682	(17,927)
Net assets at beginning of year	291,111	309,038
Net assets at end of year	$ 320,793	291,111

See accompanying notes to financial statements.

SHANTI ORANGE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended February 28, 2019
(with comparative totals for the year ended February 28, 2018)

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	$ 114,146	267,548	19,222
Payroll taxes	9,638	18,899	1,458
Employee benefits	9,877	5,318	1,173
TOTAL SALARIES AND RELATED EXPENSES	133,661	291,765	21,853
Advertising and public relations	142	630	333
Rent (note 5)	26,167	52,334	4,361
Accounting and audit	6,321	7,098	675
Telephone and IT	4,430	6,277	2,238
Office supplies	979	1,665	1,229
Postage	95	81	81
Insurance	2,528	2,528	563
Mileage	2,135	93	101
Miscellaneous	2,954	1,278	150
Direct services - professional	-	-	-
OTHER EXPENSES BEFORE DEPRECIATION	45,751	71,984	9,731
DEPRECIATION (note 4)	-	-	-
TOTAL EXPENSES	$ 179,412	363,749	31,584

See accompanying notes to financial statements

Program Services	Supporting Services			Totals	
Total	Fundraising	General and Administrative	Total	2019	2018
400,916	21,596	17,929	39,525	440,441	289,459
29,995	718	1,547	2,265	32,260	24,613
16,368	593	821	1,414	17,782	20,057
447,279	22,907	20,297	43,204	490,483	334,129
1,105	2,347	-	2,347	3,452	-
82,862	2,617	1,744	4,361	87,223	82,982
14,094	447	369	816	14,910	14,951
12,945	684	187	871	13,816	13,949
3,873	137	337	474	4,347	6,971
257	16	14	30	287	271
5,619	177	119	296	5,915	6,739
2,329	14	54	68	2,397	2,107
4,382	1,809	117	1,926	6,308	4,698
-	-	-	-	-	96,356
127,466	8,248	2,941	11,189	138,655	229,024
-	-	372	372	372	267
574,745	31,155	23,610	54,765	629,510	563,420

See accompanying notes to financial statements

SHANTI ORANGE COUNTY

STATEMENT OF CASH FLOWS

Year ended February 28, 2019
(with comparative totals for the year ended February 28, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 29,682	(17,927)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	372	267
Net realized and unrealized loss (gain) on sale of investments	120	(28,049)
(Increase) decrease in grants receivable	3,560	(41,387)
(Increase) decrease in prepaid expenses	(7,233)	-
Increase (decrease) in accrued liabilities	5,568	24,638
Increase (decrease) in deferred rent	619	13,913
TOTAL ADJUSTMENTS	3,006	(30,618)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	32,688	(48,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(898)
Sales of investments	5,352	184,302
Purchases of investments	(6,694)	(105,537)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(1,342)	77,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,346	29,322
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	57,617	28,295
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 88,963	57,617
Reconciliation of cash and cash equivalents to amounts reported on the Statements of Financial Position:		
Cash and investments	$ 311,528	278,961
Less: non-cash equivalents	(222,565)	(221,344)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 88,963	57,617

NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no significant noncash investing and financing activities for the fiscal years ended February 28, 2019 and February 28, 2018.

See accompanying notes to financial statements.

SHANTI ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year ended February 28, 2019

(1) Summary of significant accounting policies

Shanti Orange County (Organization or Shanti) is a California non-profit corporation whose mission is to strengthen the health and wellbeing of Orange County residents in need through individualized, culturally sensitive, and life affirming mental health services, community outreach, and supportive services for those affected by HIV/AIDS and other chronic diseases. The Organization is also known as the Agency with the Caring Heart. The Organization's programs are supported by grant funding, insurance reimbursement and fundraising activities. The main goal is to provide personalized services in a safe and confidential environment.

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 Shanti clients with psychological services in the form of weekly group therapy and/or individual psychotherapy. Shanti has expanded their mental health services over the last three years to include low-income and the broader LGBTQ+ community. The goal is to reduce barriers to accessing mental health care, and provide an affirming environment for marginalized populations. Shanti also continues to assist clients living with HIV in 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. The program includes the following:

- *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.

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

- *Medi-Cal* – Shanti is now 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.

Education and Prevention – Shanti Orange County's HIV/AIDS Education Outreach and Prevention Program provides critical information and support. The Organization's 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:

- *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.

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.

(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:

	Investments at Fair Value as of February 28, 2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 222,565	-	-	222,565
	$ 222,565	-	-	222,565

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

(d) Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

(e) Net assets

The financial statements reported net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on the use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the board limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor 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.

SHANTI ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

(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.

(i) Accrued liabilities

The Organization's policy is to record accumulated vacation when earned. As of February 28, 2019, accrued liabilities were $54,283. Of this amount, $15,765 was accrued vacation liability.

(j) 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.

(k) Prior year data

Selected information regarding the prior year has been included in the accompanying 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 Organization's prior year financial statements, from which this selected financial data was derived.

SHANTI ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

(l) Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(m) Accounting for contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises to with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

(n) Expense recognition and allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and interest services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Every year when new space or programs are added, the bases on which costs are allocated are evaluated by the Board of Directors to ensure accuracy.

SHANTI ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

(n) Expense recognition and allocation, (Continued)

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

(2) Cash and investments

Cash and investments consisted of the following at February 28, 2019:

Cash and cash equivalents	$ 88,963
Investments	222,565
	$ 311,528

Cash and cash equivalents consisted of the following at February 28, 2019:

Demand deposits	$ 88,963
	$ 88,963

Investments consisted of mutual funds at February 28, 2019.

Investment return is summarized as follows for the year ended February 28, 2019:

Interest dividends	$ 5,326
Net realized and unrealized gains and losses	(120)
Investment fees	(3,980)
	$ 1,226

(3) Grants receivable

The Organization participates in the 340B Prescription Drug Program. The program generated net revenues of $109,360 during the year. The financial statements reflect a receivable of $27,929 at February 28, 2019 related to the program.

(4) Property and equipment

Property and equipment consisted of the following at February 28, 2019:

Equipment	$ 2,991
Furniture and fixtures	9,963
Total	12,954
Accumulated depreciation	(12,198)
Net property and equipment	$ 756

Depreciation expense for the year was $372.

(5) Office Lease

In September 2011, the Organization entered into a lease agreement with Dolphinshire/Fountain Plaza, L.L.C. (Lessor) commencing on November 1, 2011 for offices located in Laguna Hills, California through May 1, 2017.

On November 18, 2016, the Organization extended their lease for a period of five years and two months commencing on May 1, 2017 and expiring on June 30, 2022. Monthly rent is $6,702 per month escalating annually.

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:

Year Ending February	Total Lease Payment
2020	$ 84,906
2021	87,450
2022	90,076
Thereafter	30,624
	$ 293,056

(5) Office Lease, (Continued)

Rent expense, including certain facility costs, for the year ended February 28, 2019 was $87,223.

(6) 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.

(7) Concentrations

The Organization's sources of revenues are mainly from government grants and private donations. Of the total revenues, approximately 26% was received from the County of Orange for the year ended February 28, 2019.

(8) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of February 28, 2019 are as follows:

Financial assets:	
Cash and cash equivalents	$ 88,963
Grants receivables	63,273
Investments	222,565
Total financial assets	374,801
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets	(5,000)
Amount available for general expenditures within one year	$ 369,801

As part of the liquidity management plan, the Organization invests cash in excess of daily requirement in investments. The Organization also maintains a revolving line of credit of $3,000 to cover short-term cash needs.

SHANTI ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of February 28, 2019:

Purpose restrictions, available for spending:	
Fundraising Consultant	$ 5,000
Total purpose restricted net assets	5,000
Total net assets with donor restrictions	$ 5,000

(10) Change in Accounting Principles

The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability resources.

The changes have the following effect on net assets at February 28, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 288,611	-
Temporarily restricted net assets	2,500	-
Net assets without donor restrictions	-	288,611
Net assets with donor restrictions	-	2,500
Total net assets at beginning of year, as restated	$ 291,111	291,111

(11) Subsequent Events

Subsequent events have been evaluated by management through June 21, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2019.

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.

Davis Farr LLP

Irvine, California
June 21, 2019