

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

Year ended February 29, 2020

(With Independent Auditor's Report Thereon)

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**SHANTI ORANGE COUNTY**  
**FINANCIAL STATEMENTS**  
Year ended February 29, 2020

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***Independent Auditor's Report***

**Board of Directors  
Shanti Orange County  
Laguna Hills, California**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Shanti Orange County ("Shanti"), which comprise the statement of financial position as of February 29, 2020, 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 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 financial statements.

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

**Opinion**

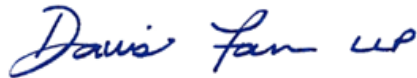
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shanti Orange County as of February 29, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Shanti's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2020 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 22, 2020 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.

A handwritten signature in blue ink that reads "Davis Fan CP".

Irvine, California  
June 22, 2020

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## **FINANCIAL STATEMENTS**



**SHANTI ORANGE COUNTY**

**STATEMENT OF FINANCIAL POSITION**

**February 29, 2020**

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

	<u>2020</u>	<u>2019</u>
<u>A S S E T S</u>		
Current assets:		
Cash and investments (note 2)	\$ 270,072	311,528
Grants receivable	117,309	63,273
Deposits	8,500	8,500
Prepaid expenses	<u>-</u>	<u>7,233</u>
TOTAL CURRENT ASSETS	<u>395,881</u>	<u>390,534</u>
Noncurrent assets:		
Property and equipment, net (note 3)	<u>6,848</u>	<u>756</u>
TOTAL NONCURRENT ASSETS	<u>6,848</u>	<u>756</u>
TOTAL ASSETS	<u><u>\$ 402,729</u></u>	<u><u>391,290</u></u>
<u>L I A B I L I T I E S   A N D   N E T   A S S E T S</u>		
Current liabilities:		
Accrued liabilities (note 1(i))	\$ 40,162	54,283
Deferred rent (note 4)	<u>14,361</u>	<u>16,214</u>
TOTAL CURRENT LIABILITIES	<u>54,523</u>	<u>70,497</u>
Net assets:		
Without donor restrictions	348,206	315,793
With donor restrictions	<u>-</u>	<u>5,000</u>
TOTAL NET ASSETS	<u>348,206</u>	<u>320,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 402,729</u></u>	<u><u>391,290</u></u>

See accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**

**STATEMENT OF ACTIVITIES**

**Year ended February 29, 2020**

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

	<u>2020</u>	<u>2019</u>
<u>WITHOUT DONOR RESTRICTIONS</u>		
Support and revenues:		
Grants and contracts	\$ 286,573	279,803
Contributions	73,668	92,799
Special events, net of direct costs	16,574	11,839
Investment income, net (note 2)	4,746	1,226
Mental health income	381,835	252,695
Miscellaneous revenue	23,549	15,830
Net assets released from purpose restrictions	<u>2,813</u>	<u>4,688</u>
Total support and revenues	<u>789,758</u>	<u>658,880</u>
Expenses:		
Program services:		
Case management services	208,574	179,412
Mental health services	463,080	363,749
Education and prevention	<u>28,458</u>	<u>31,584</u>
Total program services	<u>700,112</u>	<u>574,745</u>
Supporting services:		
Fundraising	36,812	31,155
General and administrative	<u>22,608</u>	<u>23,610</u>
Total supporting services	<u>59,420</u>	<u>54,765</u>
Total expenses	<u>759,532</u>	<u>629,510</u>
Increase (decrease) in net assets without donor restrictions	<u>30,226</u>	<u>29,370</u>
<u>WITH DONOR RESTRICTIONS</u>		
Support and revenues:		
Contributions	<u>-</u>	<u>5,000</u>
Total support and revenues	<u>-</u>	<u>5,000</u>
Net assets released from purpose restrictions	<u>(2,813)</u>	<u>(4,688)</u>
Increase (decrease) in net assets with donor restrictions	<u>(2,813)</u>	<u>312</u>
Increase (decrease) in net assets	27,413	29,682
Net assets at beginning of year	<u>320,793</u>	<u>291,111</u>
Net assets at end of year	<u><u>\$ 348,206</u></u>	<u><u>320,793</u></u>

See accompanying notes to financial statements.

**SHANTI ORANGE COUNTY**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended February 29, 2020  
(with comparative totals for the year ended February 28, 2019)**

	Program Services		
	Case Management Services	Mental Health Services	Education and Prevention
Salaries	\$ 132,891	356,271	15,944
Payroll taxes	10,919	29,258	887
Employee benefits	6,180	7,261	661
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>149,990</b>	<b>392,790</b>	<b>17,492</b>
Advertising and public relations	213	1,469	547
Rent	35,365	44,207	4,421
Accounting and audit	8,307	5,796	711
Telephone and IT	5,898	7,080	2,383
Office supplies	1,675	2,850	1,564
Postage	66	61	34
Insurance	3,216	3,216	800
Mileage	2,418	12	298
Miscellaneous	1,426	5,599	208
<b>OTHER EXPENSES BEFORE DEPRECIATION</b>	<b>58,584</b>	<b>70,290</b>	<b>10,966</b>
DEPRECIATION	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 208,574</b>	<b>463,080</b>	<b>28,458</b>

See accompanying notes to financial statements

Program Services	Supporting Services			Totals	
	Fundraising	General and Administrative	Total	2020	2019
Total					
505,106	28,841	16,350	45,191	550,297	440,441
41,064	648	1,343	1,991	43,055	32,260
14,102	934	732	1,666	15,768	17,782
<u>560,272</u>	<u>30,423</u>	<u>18,425</u>	<u>48,848</u>	<u>609,120</u>	<u>490,483</u>
2,229	-	-	-	2,229	3,452
83,993	2,652	1,768	4,420	88,413	87,223
14,814	470	386	856	15,670	14,910
15,361	811	220	1,031	16,392	13,816
6,089	216	348	564	6,653	4,347
161	11	9	20	181	287
7,232	229	152	381	7,613	5,915
2,728	101	51	152	2,880	2,397
7,233	1,899	150	2,049	9,282	6,308
<u>139,840</u>	<u>6,389</u>	<u>3,084</u>	<u>9,473</u>	<u>149,313</u>	<u>138,655</u>
<u>-</u>	<u>-</u>	<u>1,099</u>	<u>1,099</u>	<u>1,099</u>	<u>372</u>
<u>700,112</u>	<u>36,812</u>	<u>22,608</u>	<u>59,420</u>	<u>759,532</u>	<u>629,510</u>

See accompanying notes to financial statements

**SHANTI ORANGE COUNTY**

**STATEMENT OF CASH FLOWS**

**Year ended February 29, 2020  
(with comparative totals for the year ended February 28, 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 27,413	29,682
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,099	372
Net realized and unrealized loss (gain) on sale of investments	(2,234)	120
(Increase) decrease in grants receivable	(54,036)	3,560
(Increase) decrease in prepaid expenses	7,233	(7,233)
Increase (decrease) in accrued liabilities	(14,121)	5,568
Increase (decrease) in deferred rent	(1,853)	619
	<u>(63,912)</u>	<u>3,006</u>
TOTAL ADJUSTMENTS		
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(36,499)</u>	<u>32,688</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,191)	-
Sales of investments	88,864	5,352
Purchases of investments	(91,365)	(6,694)
	<u>(9,692)</u>	<u>(1,342)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(46,191)	31,346
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>88,963</u>	<u>57,617</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 42,772</u>	<u>88,963</u>
Reconciliation of cash and cash equivalents to amounts reported on the Statements of Financial Position:		
Cash and investments	\$ 270,072	311,528
Less: non-cash equivalents	(227,300)	(222,565)
	<u>\$ 42,772</u>	<u>88,963</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		

**NONCASH INVESTING AND FINANCING ACTIVITIES:**

There were no significant noncash investing and financing activities for the fiscal years ended February 29, 2020 and February 28, 2019.

See accompanying notes to financial statements.

## SHANTI ORANGE COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year ended February 29, 2020

(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 well-being 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.

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.

**SHANTI ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**(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.

**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.

**(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.



**SHANTI ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

*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, 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**

Shanti 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.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

**(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 29, 2020, accrued liabilities were \$40,162. Of this amount, \$20,180 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.

**(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.

**SHANTI ORANGE COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

**(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.

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.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**(1) Summary of Significant Accounting Policies (Continued)**

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 29, 2020:

Cash and cash equivalents	\$	42,772
Investments		227,300
		\$ 270,072

Cash and cash equivalents consisted of the following at February 29, 2020:

Demand deposits	\$	42,772
		\$ 42,772

Investments consisted of mutual funds at February 29, 2020. 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 29, 2020				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 227,300	-	-	227,300
	\$ 227,300	-	-	227,300

Investment return is summarized as follows for the year ended February 29, 2020:

Interest dividends	\$	5,941
Net realized and unrealized gains and losses		2,234
Investment fees		(3,429)
		\$ 4,746

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**(3) Property and Equipment**

Property and equipment consisted of the following at February 29, 2020:

Equipment	\$ 2,991
Furniture and fixtures	9,963
Leasehold improvements	<u>7,191</u>
Total	20,145
Accumulated depreciation	<u>(12,573)</u>
Net property and equipment	<u>\$ 7,572</u>

Depreciation expense for the year was \$375.

**(4) 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 was \$6,702 per month escalating annually. On December 23, 2019, the existing lease was amended to lease for additional space and extend the term for a period of five years commencing on March 1, 2020 and expiring on February 28, 2025. The new monthly rent is \$9,238 per month escalating 3.0% 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:

<u>Year Ending</u> <u>February</u>	<u>Total Lease</u> <u>Payment</u>
2021	\$113,636
2022	117,042
2023	120,552
2024	124,170
2025	<u>127,896</u>
	<u>\$603,296</u>

Rent expense, including certain facility costs, for the year ended February 29, 2020 was \$88,413.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**(5) 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.

**(6) Concentrations**

The Organization's sources of revenues are mainly from government grants and private donations. Of the total revenues, approximately 25% was received from the County of Orange for the year ended February 29, 2020.

**(7) Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of February 29, 2020 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 42,772
Grants receivables	117,309
Investments	<u>227,300</u>
Total financial assets	<u>387,381</u>
Amount available for general expenditures within one year	<u>\$ 387,381</u>

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.

**(9) Subsequent Events**

Subsequent events have been evaluated by management through June 22, 2020, 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.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Organization. Shanti Orange County has not included any contingencies in the financial statements specific to the COVID-19 pandemic.

**SHANTI ORANGE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**(9) Subsequent Events (Continued)**

On April 15, 2020, the Organization received a loan in the amount of \$99,900 from the U.S. Small Business Administration pursuant to the Paycheck Protection Program. The loan bears interest at a rate of 1%. The loan is subject to being forgiven under the Paycheck Protection Program rules. All amounts not forgiven are due on April 15, 2022.

Board of Directors  
Shanti Orange County  
Laguna Hills, California

***Independent Auditor's 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 29, 2020, 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 22, 2020.

***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.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
June 22, 2020