

MENDING HEARTS, INC.

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2014

MENDING HEARTS, INC.

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MAURICE DANNER, CPA P.C.
Certified Public Accountant

1321 Murfreesboro Pike, Ste. 320 • Nashville, TN 37217
(615) 364-5935 • FAX (615) 818-0223
maurice.danner@comcast.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mending Hearts, Inc.
Murfreesboro, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of Mending Hearts, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, cash flows, and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mending Hearts, Inc. as of June 30, 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.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance is presented for the purpose of additional analysis as required by the *State of Tennessee Comptroller of the Treasury's Audit Manual for Local Governmental Units and Other Organizations* and by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 5, 2015, on my consideration of Mending Hearts, Inc's internal control over financial reporting and on my 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 my 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 Mending Hearts, Inc's internal control over financial reporting and compliance.

The audit report has been revised to include audit and reporting requirements of OMB Circular A-133.

Nashville, Tennessee
November 28, 2014

May 5, 2015

MENDING HEARTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

Assets	
Cash	\$ 174,437
Accounts Receivable	17,094
Buildings and Equipment, net	779,757
Other Assets	1,350
Total Assets	<u><u>\$ 972,638</u></u>
Liabilities and Net Assets	
Accounts Payable	650
Payroll Liabilities	20,198
Accrued Expenses	12,524
Notes Payable	477,624
Total Liabilities	<u>510,996</u>
Net Assets	
Temporarily Restricted	65,000
Unrestricted	396,642
Total Net Assets	<u>461,642</u>
Total Liabilities and Net Assets	<u><u>\$ 972,638</u></u>

The accompanying notes are an integral part of these financial statements.

MENDING HEARTS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Grants and contracts	\$ 621,621	\$ 45,480	\$ 667,101
Program service fees	461,585		461,585
Contributions	65,665	20,000	85,665
Contributions - Inkind	4,174	-	4,174
Interest and dividends	396	-	396
	<u>1,153,441</u>	<u>65,480</u>	<u>1,218,921</u>
Total Revenues and Other Support			
Annual Breakfast:			
Special event revenue	116,388	-	116,388
Direct benefits to donors	(2,099)	-	(2,099)
Net Support from Breakfast	<u>114,290</u>	<u>-</u>	<u>114,290</u>
Net assets released from restrictions:			
Expiration of time and purpose restrictions	<u>111,728</u>	<u>(111,728)</u>	<u>-</u>
Total Revenues and Other Support	1,379,459	(46,248)	1,333,211
Expenses			
Program Services:			
Housing	321,383	-	321,383
Residential Services	491,796	-	491,796
Total Program Services	<u>813,179</u>	<u>-</u>	<u>813,179</u>
Management and General	452,796	-	452,796
Fundraising	5,739	-	5,739
Total Expenses	<u>1,271,714</u>	<u>-</u>	<u>1,271,714</u>
Change in Net Assets	107,745	(46,248)	61,497
Net Assets at beginning of year	288,897	111,248	400,145
Net Assets at end of year	<u>\$ 396,642</u>	<u>\$ 65,000</u>	<u>\$ 461,642</u>

The accompanying notes are an integral part of these financial statements.

Mending Hearts, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2014

Operating activities:	
Increase(Decrease) in net assets	\$ 61,497
Adjustments to reconcile increase in net assets to net cash flows from operating activities:	
Depreciation	22,396
 (Increase) Decrease in assets	
Accounts Receivable	32,906
Other Assets	1,100
 (Decrease) Increase in liabilities	
Payroll Liabilities	(3,314)
Accrued Expenses	(534)
Accounts Payable	(7,094)
 Net cash provided by Operating Activities	<u>106,957</u>
Investing activities:	
Fixed assets purchases	(512,148)
Furniture and Equipment purchases	(6,448)
Vehicle purchase	(51,270)
 Net cash used by Investing Activities	<u>(569,866)</u>
Financing activities:	
Notes payable	341,617
 Net cash provided by Financing Activities	<u>341,617</u>
 Change in cash and cash equivalents	(121,293)
 Cash and cash equivalents at beginning of year	<u>295,730</u>
 Cash and cash equivalents at end of year	<u>\$ 174,437</u>
 Interest Expense	\$ 7,034

The accompanying notes are an integral part of these financial statements.

MENDING HEARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2014

	<u>Residential Services</u>	<u>Housing</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expense	\$ 297,633	\$ 29,980	\$ 327,613	\$ 254,940		\$ 582,553
Employee Benefits			-	900		900
Supplies	23,458		23,458		3,543	27,001
Transportation	5,959		5,959			5,959
Advertising and Promotion			-	4,506		4,506
Bank charges			-	5,933		5,933
Professional Fees and Contract	74,198		74,198	91,436		165,634
Utilities		93,376	93,376	25,289		118,665
Medication	8,951		8,951			8,951
Telephone			-			-
Awards	1,803		1,803	1,112	1,355	4,270
Rents		105,218	105,218	9,720	511	115,450
Staff Training			-	1,594		1,594
Printing			-	454		454
Occupancy			-		313	313
Repairs and Maintenance		61,992	61,992			61,992
Housing Assistance	5,900		5,900			5,900
Insurance			-	30,233		30,233
Bus Passes	749		749			749
Postage			-	80	230	310
Equipment and software			-	11,280		11,280
Food Expense	59,102		59,102		1,786	60,888
Automobile	2,012		2,012			2,012
Drug Screening	1,058		1,058			1,058
License and Permits			-	4,795		4,795
Travel			-	3,825		3,825
Interest Expense		7,034	7,034			7,034
Tax and License		12,877	12,877			12,877
Depreciation	10,259	10,905	21,164	1,232		22,396
Miscellaneous	715		715	5,467	100	6,282
Total Expenses	\$ 491,796	\$ 321,383	\$ 813,179	\$ 452,796	\$ 7,838	\$ 1,273,813
Direct benefit to donors for breakfast event					(2,099)	
					<u>\$ 5,739</u>	

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and Nature of Activities

Mending Hearts, Inc. is a Tennessee Not-For-Profit corporation (the "Organization"), was organized to assist women in seeking to overcome drug addiction by providing transitional shelter, food, clothing, counseling and other necessities.

Programs

Mending Hearts is a residential recovery-oriented therapeutic community for women who are or are at risk of becoming homeless as a result of their addiction to drugs, alcohol or both. Mending Hearts provides residents with a personal treatment plan developed around evidence-based practices and reviewed by the treatment team weekly; individual and group therapy, client-focused goals, Participation in 12-Step recovery program meetings, Work Force development, Relapse Prevention, Education (GED, Tutoring, College referrals), Case Management, Financial Planning, Budgeting/Saving guidance, Counseling, Transportation, Residential Treatment, Intensive Out Patient and Housing for Moms with Kids.

Revenue and Support

The organization receives its revenue and support from grant and contract agreements, contributions and program services.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts. Management believes the Organization is not exposed to any significant credit risks on cash and cash equivalents.

Property and Equipment

Fixed assets are capitalized at cost at the date of purchase or fair value at the date of donation. Depreciation is taken on a straight-line basis over the estimated useful life of the assets.

Grant and Contract Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets 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 either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted net assets.

The organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the organization reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

MENDING HEARTS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2014

Income Taxes

The Organization is a tax-exempt entity under Section 501(c)3 of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

NOTE 2 – ACCOUNTS RECEIVABLE

The Organization receives payments for services provided to clients from the Tennessee Department of Mental Health. Accounts receivable are stated at the amounts billed. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at June 30, 2014:

Building	\$ 673,674
Furniture and Equipment	37,930
Leasehold Improvements	33,313
Vehicles	87,010
	<hr/>
	831,927
Less accumulated depreciation	(52,170)
	<hr/>
	\$ 779,757

NOTE 4 - COMPENSATED ABSENCES

Compensated absences have not been accrued because it cannot reasonably be estimated.

NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 6 - NOTES PAYABLE

Note payable to Ascend Federal Credit Union in the original principal amount of \$128,000. Fixed interest rate of 4.3%, payable monthly in monthly principal and interest payments of \$1,196.04, beginning January 19, 2013. Notes Payable to Ascend Federal Credit Union in the original principal amount of \$68,000. Fixed interest rate of 4.5%, payable monthly in monthly principal and interest payments of \$630.20, beginning August 9, 2013. Notes payable to Avenue Bank in the original principal amount of \$301,715, 0% interest, monthly payment of \$1,676.20, beginning March 13, 2014.

Year ending June 30,	
2015	\$ 42,028
2016	42,028
2017	42,028
2018	42,028
2019	42,028
Thereafter	<u>310,481</u>
Total Payments Remaining	520,621
Less portion representing	
interest	<u>(42,996)</u>
Note payable	<u>\$ 477,624</u>

NOTE 7 – LEASE COMMITMENTS

The organization has entered into several cancelable operating leases for residential housing and for its office administrative space. The leases have various commencement dates. Total rent paid for the year ended June 30, 2014 was \$114,939. Future minimum lease payments are as follows:

Fiscal year ending June 30, 2015	\$70,700
2016	\$37,800

NOTE 8 - RESTRICTED NET ASSETS

Temporarily restricted net assets of \$65,000 represents a purpose restriction by the donor designated in support of programming, capital improvements and the residential treatment facility.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 5, 2015, 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.

MENDING HEARTS, INC
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor	CFDA Number	Contract Number	Balance at Beginning of Year	Receipts	Expenditures	Balance at End of Year
Federal Awards						
U.S. Dept. of Health and Human Services/ Tennessee Department of Mental Health Addiction Recovery Program	93.959		\$ 1,490	23,490	23,995	\$ 1,995
U.S. Dept. of Health and Human Services/ Tennessee Department of Mental Health Block - Continuum Total Program 93.959	93.959		-	262,711	262,711	-
U.S. Department of Housing and Urban Development		14.267	0	35,971	35,971	0
U.S. Department of Health and Human Services/Meharry Medical College		0903326RKB10202	0	48,476	48,476	0
Federal Transit Administration/ Nashville MTA		201448-C	0	51,578	51,578	0
TOTAL FEDERAL AWARDS			\$ 1,490	422,226	422,731	\$ 1,995
State Financial Assistance						
TN Department of Mental Health and Substance Abuse Services Supervised Probation Offender Treatment		26099	-	39,901	43,000	\$ 3,099
TN Department of Mental Health and Substance Abuse Services Community Treatment Collaborative		41164	\$ 12,283	102,236	101,953	\$ 12,000
TOTAL STATE AWARDS			\$ 12,283	142,137	144,953	\$ 15,099
TOTAL FEDERAL AND STATE AWARDS			\$ 13,773	\$ 564,363	\$ 567,684	\$ 17,094

(M) Major Program
The above schedule has been provided using the accrual basis of accounting.
The accompanying notes are an integral part of this schedule.



MAURICE DANNER, CPA P.C.
Certified Public Accountant

1321 Murfreesboro Pike, Ste. 320 • Nashville, TN 37217
(615) 364-5935 • FAX (615) 818-0223
maurice.danner@comcast.net

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*

To the Board of Directors
Mending Hearts, Inc.
Nashville, Tennessee

I 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 Mending Hearts, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated May 5, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mending Hearts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mending Hearts, Inc. internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Mending Hearts, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Mark Dams, CPA P.C." The signature is written in a cursive style.

Nashville, Tennessee
May 5, 2015



MAURICE DANNER, CPA P.C.
Certified Public Accountant

1321 Murfreesboro Pike, Ste. 320 • Nashville, TN 37217
(615) 364-5935 • FAX (615) 818-0223
maurice.danner@comcast.net

Report on Compliance for Each Major Program Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To Board of Directors
Mending Hearts, Inc.
Nashville, Tennessee

Report on Compliance for Each Major Program

I have audited Mending Hearts, Inc.'s compliance with the types of compliance requirements described in the OMB Circular Supplement that could have a direct and material effect on each of Mending Hearts, Inc.'s major federal programs for the year ended June 30, 2014. Mending Hearts, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Mending Heart, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mending Hearts, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Mending Hearts, Inc's compliance.

Opinion of Each Major Federal Program

In my opinion, Mending Hearts, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Mending Hearts, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Mending Hearts, Inc's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of Mending Hearts Inc's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of Mending Hearts, Inc. as of and for the year ended June 30, 2014, and have issued my report thereon dated May 5, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads "Maurice Danner, CPA P.C." The signature is written in a cursive, flowing style.

Maurice Danner, CPA P.C.
Nashville, Tennessee

May 5, 2015

Mending Hearts , Inc.

Schedule of Findings and Questioned Costs

June 30 ,2014

Section I

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Mending Hearts, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mending Hearts, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal awards programs.
5. The auditor's report on compliance for the major federal awards program for Mending Hearts, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major program were:

<u>Program</u>	<u>CFDA</u>
Addiction Recovery Program	93.959
Block- Continuum	93.959

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Mending Hearts, Inc. was determined to be a high risk auditee.

Mending Hearts, Inc.

Schedule of Findings and Questioned Costs(continued)

June 30, 2014

Section II – Findings

Status of Prior Year Findings

No findings

Current Year Findings

No findings