

PARTNERS FOR HEALING, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2014

PARTNERS FOR HEALING, INC.
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DECEMBER 31, 2014

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Partners for Healing, Inc.

We have audited the accompanying financial statements of Partners for Healing, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Partners for Healing, Inc. as of December 31, 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

Our 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, on our consideration of Partners for Healing, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provision 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 the 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 Partners for Healing, Inc.'s internal control over financial reporting and compliance.

April 30, 2015

PARTNERS FOR HEALING, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Cash and cash equivalents	\$ 146,172
Investments	236,220
Investments - restricted endowment fund	33,166
Grants receivable	8,700
Prepaid expenses	1,807
Property and equipment, net of accumulated depreciation	138,190
Other assets, net	843
TOTAL ASSETS	\$ 565,098

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 570
Accrued liabilities	3,450
TOTAL LIABILITIES	4,020

NET ASSETS

Unrestricted	509,695
Temporarily restricted	18,217
Permanently restricted	33,166
TOTAL NET ASSETS	561,078
TOTAL LIABILITIES AND NET ASSETS	\$ 565,098

The accompanying notes are an integral part of this financial statement.

**PARTNERS FOR HEALING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

UNRESTRICTED NET ASSETS

Unrestricted revenues and support:

Contributions	\$ 261,100
Fundraising income	60,716
Grants	41,425
Foundation	15,660
Donated assets and services	142,268
Donated volunteer labor	20,113
Investment income	3,973
Other income	787

Total unrestricted revenues	546,042
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Net assets released from donor restrictions	666
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Total unrestricted revenues and other support	546,708
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Expenses:

Program services	289,896
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Supporting services:

Management and general	112,176
Fundraising	8,676

Total supporting services	120,852
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Total expenses	410,748
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CHANGE IN UNRESTRICTED NET ASSETS	135,960
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TEMPORARILY RESTRICTED ASSETS

Contributions	753
Net assets released from donor restrictions	(666)

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	87
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CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-
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CHANGE IN NET ASSETS	136,047
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NET ASSETS AT BEGINNING OF YEAR	425,031
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NET ASSETS AT END OF YEAR	\$ 561,078
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The accompanying notes are an integral part of this financial statement.

**PARTNERS FOR HEALING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 136,047
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	8,786
Realized and unrealized gains on investments	1,464
Interest received from certificates of deposit	(1,167)
Increase in grants receivable	1,600
Increase in prepaid expenses	(123)
Decrease in accounts payable	262
Increase in accrued liabilities	(188)
Total adjustments	<u>7,706</u>
Net cash provided by operating activities	<u>143,753</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for certificates of deposit	(75,000)
Cash payment for the purchase of investments	(462)
Net cash used by investing activities	<u>(75,462)</u>

NET INCREASE IN CASH AND EQUIVALENTS	68,291
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>77,881</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 146,172</u></u>

The accompanying notes are an integral part of this financial statement.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Partners for Healing, Inc. (the “Organization”) began operations in November 2001 in Tullahoma, Tennessee. The Organization provides free health care service, dental care, eye care, podiatry care and general education programs including social services and counseling to working uninsured individuals living in Coffee, Franklin, and Moore Counties. The Organization is primarily supported by direct solicitations to local citizens, area businesses, and local churches. The Organization also receives grants from the State of Tennessee, foundations, corporations, and other organizations.

Basis of Accounting

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

Financial Statement Presentation

The Organization follows the Nonprofit Entities topic of FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization follows the Nonprofit Entities and Revenue Recognition subtopic of FASB Accounting Standards Codification whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management’s Review of Subsequent Events

Management has evaluated subsequent events through April 30, 2015, the date which the financial statements were available to be issued.

Cash and Cash Equivalents

Cash includes amounts in demand deposits. Cash in excess of current requirements, is invested in interest-bearing accounts such as certificates of deposits. For purposes of the statements of cash flows, the Board considers cash and investments with a maturity of three months or less to be cash equivalents.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value (see Note 12). Level inputs are defined as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Investments

Investments consist of money market funds, shares of a mutual fund, stocks, bonds, and certificates of deposit. Money market funds, shares of a mutual fund, stocks, and bonds are reported at fair value (generally at quoted market prices) on the last business day of the reporting period. In the case of certain less marketable investments, principally real estate funds, offshore and private investments, fair value has been estimated by the respective investment managers (see Note 3). Certificates of deposit are reported at cost, plus any accrued interest. Gains or losses in the value of investments are reported in the statements of activities in the period they occur.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over their estimated useful lives using the straight-line depreciation method.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended December 31, 2011 through December 31, 2014. The organization had no uncertain tax positions at December 31, 2014.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

Salaries and related employee expenses are allocated to program and support service functions based on estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on salaries. Building and occupancy costs are allocated on the basis usage of the facilities. Depreciation is allocated on the basis of usage for furniture and equipment.

Compensated Absences

Employees of the Organization do not accrue sick or vacation time. No amounts are reflected in the financial statements for compensated absences.

Advertising

The Organization's policy is to expense advertising costs as they are incurred. The amount expensed for 2014 is \$1,052.

NOTE 2 – CASH AND CASH IN CERTIFICATES OF DEPOSIT AND MONEY MARKET FUNDS

The Organization's cash in checking, savings, certificates of deposits, and money market funds totaled \$366,653 and the bank balance totals \$366,915. As of December 31, 2014, all deposits were fully insured by FDIC.

NOTE 3 - INVESTMENTS

Investments at fair value, at December 31, 2014 consist of the following:

Certificates of deposits	\$ 220,087
Stock	31,454
Bonds	15,233
Money market funds	394
Mutual funds	2,218
	<u>\$ 269,386</u>

Investment income is comprised of the following for the year ended December 31, 2014:

Interest and dividends	\$ 2,445
Realized gain	3,587
Unrealized loss	(2,059)
	<u>\$ 3,973</u>

NOTE 4 – PREPAID EXPENSES

Prepaid expenses consist of the following at December 31, 2014:

Prepaid insurance	<u>\$ 1,807</u>
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PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2014 consist of the following:

Land	\$ 30,000
Building	139,497
Equipment	<u>56,388</u>
	225,885
Less accumulated depreciation	<u>(87,695)</u>
	<u><u>\$ 138,190</u></u>

Depreciation expense was \$6,405 for the year ended December 31, 2014.

NOTE 6 – OTHER ASSETS

Other non-current assets consist of the following at December 31, 2014:

Microsoft software	\$ 7,142
Less accumulated amortization	<u>(6,299)</u>
	<u><u>\$ 843</u></u>

Amortization expense was \$2,381 for the year ended December 31, 2014.

NOTE 6 – DONATED ASSETS AND SERVICES

Donated supplies and other noncash donations are recorded as contributions at their fair values at the date of donation.

The fair value of donated assets received in 2014 has been estimated to be \$142,268.

NOTE 7 – DONATED VOLUNTEER LABOR

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since recognition criteria were not met.

One of the Organization's primary sources of medical care and administrative support is in the form of volunteer services. The fair value of these services received in 2014 has been estimated to be \$20,113 and is included in donated volunteer labor and program services - donated volunteer labor costs in the Statement of Activities.

NOTE 8 – CONCENTRATION OF RISKS

The Organization has as one of its primary funding sources, grants from the Tennessee Department of Health. The Organization could be severely affected if policies in determining grant amounts for organizations such as Partners for Healing, Inc. are altered through legislation.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2014:

Building fund	\$ 14,687
Diabetic supplies	750
Patient assistance	2,780
	<u>\$ 18,217</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2014:

Endowment funds for operating clinic	<u>\$ 33,166</u>
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The endowment funds are voluntarily set aside by the Board to be held indefinitely, the income from which is expendable for program and supporting services.

NOTE 11 – FUNDRAISING EXPENSES AND REVENUES

The Organization held several fundraising activities, to earn additional funds and increase public awareness of the organization. Fundraising revenues of \$60,716 are included in revenues and support and fundraising expenses of \$8,676 are included in supporting services in the Statement of Activities.

NOTE 12 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Organization's assessment of available market information and appropriate valuation methodologies.

The following table summarizes required fair value disclosures and measurements at December 31, 2014 for the assets and liabilities measured at fair value on a recurring basis:

	Assets Measured at Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposits	\$ 220,087	\$ 220,087	\$ -	\$ -
Stock	31,454	31,454	-	-
Bonds	15,233	15,233	-	-
Money market funds	394	394	-	-
Mutual funds	2,218	2,218	-	-
	<u>\$ 269,386</u>	<u>\$ 269,386</u>	<u>\$ -</u>	<u>\$ -</u>

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 12 – FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents

Cash equivalents are reflected at carrying value, which is considered fair value.

Investments

The fair value of investments, as disclosed in Note 1, has been calculated based on quoted market prices, where available, and on Level 2 and 3 inputs.

Grants receivable

The carrying value of grants receivable approximates fair value due to the short-term nature of the receivables.

Accounts payable, accrued liabilities

The carrying value of these items approximates fair value due to the short-term nature of the obligations.

SUPPLEMENTAL INFORMATION

PARTNERS FOR HEALING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Support Services		
	Patient Care	Management and General	Fundraising	Total
Amortization	\$ -	\$ 2,381	\$ -	\$ 2,381
Advertising	1,052	-	-	1,052
Cleaning and maintenance	6,276	2,090	-	8,366
Clinic supplies	117,851	-	-	117,851
Contracted medical services	1,372	-	-	1,372
Depreciation	4,804	1,601	-	6,405
Donated volunteer labor	18,869	-	-	18,869
Fundraising	-	-	8,676	8,676
Office expenses	2,404	3,592	-	5,996
Other expenses	1,903	1,281	-	3,184
Patient services	790	-	-	790
Payroll taxes	6,852	6,011	-	12,863
Professional fees and dues	-	40,874	-	40,874
Property and liability insurance	3,612	1,204	-	4,816
Salaries and wages	117,731	51,201	-	168,932
Telephone and communications	2,572	858	-	3,430
Utilities	3,247	1,083	-	4,330
Workers comp insurance	561	-	-	561
Total	<u>\$ 289,896</u>	<u>\$ 112,176</u>	<u>\$ 8,676</u>	<u>\$ 410,748</u>

See accompanying accountant's report.

PARTNERS FOR HEALING, INC.
SCHEDULE OF EXPENDITURES OF STATE AND OTHER AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Program title	Contract number	Grant period	Program award	Accrued (deferred) grant revenue January 1, 2014	Receipts	Expenditures	Adjustments/ repayments	Accrued (deferred) grant revenue December 31, 2014
Tennessee Department of Health:								
Safety Net Primary Care Services	GR-14-39327-00	7/1/13 to 6/30/14	\$ 50,000	\$ 10,300	\$ (25,625)	\$ 15,325	\$ -	\$ -
Safety Net Primary Care Services	GR-15-42892-00	7/1/14 to 6/30/15	\$ 50,000	-	(7,950)	16,650	-	8,700
Total State Awards				-	(33,575)	31,975	-	8,700
Other Awards:								
Baptist Healing Trust	739	7/1/13 to 6/30/14	\$ 18,900	-	(9,450)	9,450	-	-
Total Other Awards				-	(9,450)	9,450	-	-
Total State and Other Awards				\$ -	\$ (43,025)	\$ 41,425	\$ -	\$ 8,700
							Receivable	\$ 8,700
							Deferred revenue	-
							Total	\$ 8,700

See accompanying accountant's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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 of
Partners for Healing, Inc.

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 Partners for Healing, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partners for Healing, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partners for Healing, Inc.'s internal control. Accordingly, we 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.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2014-1 and 2014-2 that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partners for Healing, Inc.'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*.

Partners for Healing, Inc.'s Response to Findings

Partners for Healing, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Partners for Healing, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 *Governmental Audit Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 30, 2015

PARTNERS FOR HEALING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

FINDING 2014-1:

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Recommendation:

Due to the nature and size of the Organization, it may not be practical or possible to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls such as to review a draft of the financial statements and related disclosures.

Management Response:

We concur with the auditor's finding and recommendation.

FINDING 2014-2

We identified the following audit adjustments through the performance of our audit procedures:

1. Recording grant receivables.
2. Recording in kind revenue and expenditures.
3. Recording the change in temporarily restricted net assets for year.
4. Recording prepaid expenses.
5. Correcting depreciation expense.
6. Recording other assets additions and amortization expense.
7. Correcting interest income on the endowment fund.

Recommendation:

To avoid auditor adjustments, all accounts should be recorded and adjusted.

Management Response:

We will comply.

PARTNERS FOR HEALING, INC.
DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

FINDING 2013-1

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Due to the nature and size of the Organization, it may not be practical or possible to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls such as to review a draft of the financial statements and related disclosures.

Current Status:

See finding 2014-1.

FINDING 2013-2

We identified the following audit adjustments through the performance of our audit procedures:

1. Recording grant receivables and deferred grant revenue.
2. Recording in kind revenue and expenditures.
3. Recording the change in temporarily restricted net assets for year.
4. Recording prepaid expenses.
5. Correcting depreciation expense.
6. Recording other assets additions and amortization expense.
7. Correcting interest income on the endowment fund.

To avoid auditor adjustments, all accounts should be recorded and adjusted.

Current Status:

See Finding 2014-2.