

PARTNERS FOR HEALING, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2012

PARTNERS FOR HEALING, INC.
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DECEMBER 31, 2012

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FINANCIAL SECTION

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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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, 2012, and the related statements of activities 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 *Governmental 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, 2012, 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 schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 11 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 June 20, 2013, on our consideration of Partners for Healing'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's internal control over financial reporting and compliance.

Householder Charma PLLC

June 20, 2013

**PARTNERS FOR HEALING
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

ASSETS

Cash and cash equivalents	\$ 134,839
Certificates of deposits	149,039
Restricted cash endowment	33,166
Grants receivable	11,600
Prepaid expenses	1,588
Property and equipment, net of accumulated depreciation	151,053
Other assets, net	3,998
TOTAL ASSETS	\$ 485,283

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,520
Accrued liabilities	5,796
Unearned grant proceeds	372
TOTAL LIABILITIES	7,688

NET ASSETS

Unrestricted	426,540
Temporarily restricted	17,889
Permanently restricted	33,166
TOTAL NET ASSETS	477,595
TOTAL LIABILITIES AND NET ASSETS	\$ 485,283

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

**PARTNERS FOR HEALING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

UNRESTRICTED NET ASSETS

Unrestricted revenues and support:

Contributions	\$ 61,718
Fundraising income	49,584
Grants	121,477
Volunteer labor services	61,796
Donated equipment	3,459
Interest income	5,159
Other income	6,218

Total unrestricted revenues	309,411
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Net assets released from donor restrictions	2,261
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Total unrestricted revenues and other support	311,672
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Expenses:

Program services	245,929
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Supporting services:

Management and general	85,370
Fundraising expenses	6,221

Total supporting services	91,591
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Total expenses	337,520
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CHANGE IN UNRESTRICTED NET ASSETS	(25,848)
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TEMPORARILY RESTRICTED ASSETS

Contributions	2,088
Net assets released from donor restrictions	(2,261)

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(173)
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CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-
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CHANGE IN NET ASSETS	(26,021)
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NET ASSETS AT BEGINNING OF YEAR	487,013
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PRIOR PERIOD ADJUSTMENTS	16,603
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NET ASSETS AT END OF YEAR	\$ 477,595
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The accompanying notes are an integral part of this financial statement.

**PARTNERS FOR HEALING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (26,021)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	7,980
Interest received from certificates of deposit	(4,458)
Increase in grants receivable	1,325
Increase in prepaid expenses	(137)
(Increase) decrease in other assets	(5,536)
Decrease in accounts payable	1,002
Increase in accrued liabilities	406
Increase in unearned grant proceeds	(55,527)
	<hr/>
Total adjustments	(54,945)
	<hr/>
Net cash provided by operating activities	(80,966)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash proceeds from certificates of deposit	97,182
Cash payments for certificates of deposit	(32,042)
Cash payments for the purchase of property	(4,108)
	<hr/>
Net cash used by investing activities	61,032
	<hr/>
NET INCREASE IN CASH AND EQUIVALENTS	(19,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	154,773
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 134,839
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The accompanying notes are an integral part of this financial statement.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 Not-for-Profit 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 Not-for-Profit 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 June 20, 2013, 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 not-for-profit 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 year that remain open for examination include the years ended December 31, 2009 through December 31, 2012. The organization had no uncertain tax positions at December 31, 2012.

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 2012 is \$400.

NOTE 2 – CASH AND CASH IN CERTIFICATES OF DEPOSIT

The Organization's cash in checking, savings, and certificates of deposits totaled \$317,044 and the bank balance totals \$324,610. As of December 31, 2012, all deposits were fully insured by FDIC.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 – PREPAID EXPENSES

Prepaid expenses consist of the following:

Prepaid insurance	\$ 1,588
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NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2012 consist of the following:

Land	\$ 30,000
Building	139,497
Equipment	56,388
	<u>225,885</u>
Less accumulated depreciation	(74,832)
	<u>\$ 151,053</u>

Depreciation expense was \$6,442 for the year ended December 31, 2012.

NOTE 5 – OTHER ASSETS

Other non-current assets consist of the following:

Microsoft software	\$ 5,536
Less accumulated amortization	(1,538)
	<u>\$ 3,998</u>

Amortization expense was \$1,538 for the year ended December 31, 2012.

NOTE 6 – DONATED SERVICES AND SUPPLIES

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 2012 has been estimated to be \$36,329 and is included in volunteer labor services and program services - salaries and labor costs in the Statement of Activities. Donations of supplies are recorded as unrestricted contributions at their estimated fair value.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 – 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 are altered through legislation.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012:

Building fund	\$ 14,687
Diabetic supplies	750
Patient assistance	2,252
Website	200
	<u>\$ 17,889</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2012:

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 10 – FUNDRAISING EXPENSES AND REVENUES

The Organization held several fundraising activities, to earn additional funds and increase public awareness of the organization. Fundraising revenues of \$49,584 are included in revenues and support and fundraising expenses of \$6,221 are included in supporting services in the Statement of Activities.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made for two grants that were closed in 2011; however, were not reported as such. Grant funds were expended as required by the applicable grants.

SUPPLEMENTAL INFORMATION

PARTNERS FOR HEALING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Support Services		
	Patient Care	Management and General	Fundraising	Total
Amortization	\$ -	\$ 1,538	\$ -	\$ 1,538
Cleaning and maintenance	7,804	2,600	-	10,404
Clinic supplies	29,080	-	-	29,080
Contracted medical services	4,258	-	-	4,258
Depreciation	4,832	1,610	-	6,442
Donated volunteer labor	36,329	-	-	36,329
Fundraising	-	-	6,221	6,221
Marketing	495	-	-	495
Office expenses	2,204	5,073	-	7,277
Other expenses	898	1,054	-	1,952
Patient services	3,309	-	-	3,309
Payroll taxes	9,070	9,372	-	18,442
Professional fees and dues	-	7,800	-	7,800
Property and liability insurance	2,599	867	-	3,466
Salaries and wages	138,419	53,589	-	192,008
Telephone and communications	2,390	797	-	3,187
Utilities	3,209	1,070	-	4,279
Workers comp insurance	1,033	-	-	1,033
Total	<u>\$ 245,929</u>	<u>\$ 85,370</u>	<u>\$ 6,221</u>	<u>\$ 337,520</u>

See accompanying accountant's report.

PARTNERS FOR HEALING, INC.
SCHEDULE OF EXPENDITURES OF STATE AND OTHER AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Program title	CPDA	Contract number	Grant period	Program award	Accrued (deferred) grant revenue January 1, 2012	Receipts	Expenditures	Adjustments/ repayments	Accrued (deferred) grant revenue December 31, 2012
Tennessee Department of Health:									
Safety Net Primary Care Services		GR-12-36802-00	7/1/11 to 6/30/12	60,925	\$ 12,925	\$ (39,875)	\$ 26,950	\$ -	\$ -
Safety Net Primary Care Services		GF-13-34208-00	7/1/12 to 6/30/13	58,200	-	(14,150)	25,750	-	11,600
Total State Awards					12,925	(39,875)	52,700	-	-
Other Awards:									
Kresge Foundation			7/1/10 to 6/30/12	100,000	(55,899)	-	61,495	(5,596)	-
Vitamin Grant Settlement				42,500	(13,818)	-	-	13,818	-
Baptist Healing Trust-Satellite			1/1/11 to 12/31/11	19,826	(2,785)	-	-	2,785	-
Baptist Healing Trust			8/1/12 to 7/31/13	26,500	-	(13,250)	12,878	-	(372)
Total Other Awards					(72,502)	(13,250)	74,373	11,007	(372)
Total Federal, State and Other Awards					\$ (59,577)	\$ (53,125)	\$ 127,073	\$ 11,007	\$ (372)
								Receivable	\$ 11,600
								Deferred rev	(372)
								Total	\$ 11,228

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, 2012, 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 June 20, 2013.

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 2012-1 and 2012-2 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.



June 20, 2013

PARTNERS FOR HEALING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

FINDING 2012-1:

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 2012-2

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. Recording fixed assets additions and 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, 2012**

FINDING 2011-1

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 2012-1.

FINDING 2011-2

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. Recording fixed asset additions and deletions and depreciation expense.
6. Correct interest income on the endowment CD.

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

Current Status:

See Finding 2012-2.

FINDING 2011-3

Reports required by grant funds for one grantor agency could not be located by current management. Therefore, allocation of expenditures for that grant could not be verified.

It is recommended that reports be kept on file for grantor agencies requirements.

Current Status:

Implemented.

**PARTNERS FOR HEALING, INC.
DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

FINDING 2011-4

At December 31, 2011, Partners had deposits with a carrying value of \$15,729, which were not insured or collateralized as required by the state regulations.

The deposits of the funds should be insured or collateralized as specified regulations. We also recommended management more closely monitor deposits at each financial institution in the future.

Current Status:

Implemented.

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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June 20, 2013

To Management and the Board of Directors
Partners for Healing, Inc.

In planning and performing our audit of the financial statements of Partners for Healing, Inc. for the year ended December 31, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Organization's internal control in our letter dated June 20, 2013. A separate letter dated June 20, 2013 contains our communication of significant deficiencies or material weaknesses in the Organization's internal control. This letter does not affect our report dated June 20, 2013, on the financial statements of Partners for Healing.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Housholder Artman PLLC

1. The allocation of costs to the grants is not being properly recorded through QuickBooks. Grant revenues and expenditures should be allocated to the grant when entered as a receipt or payment in QuickBooks.
2. The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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Tullahoma, Tennessee 37388

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June 20, 2013

To the Board of Directors
Partners for Healing, Inc.

We have audited the financial statements of Partners for Healing, Inc. for the year ended December 31, 2012, and have issued our report thereon dated June 20, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 17, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Partners for Healing, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the donated services and supplies is based on nonprofit donated services recognition criteria. We evaluated the key factors and assumptions used to develop the donated services and supplies estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2013.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and, management. of Partners for Healing, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Housholder Artman PLLC".

Housholder Artman PLLC