

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

PARTNERS FOR HEALING, INC.

(A NOT-FOR-PROFIT CORPORATION)

December 31, 2021

CONTENTS

Independent Auditor's Report	Page	3
Financial Statements:		
Statement of Financial Position		6
Statement of Activities		7
Statement of Functional Expenses		8
Statement of Cash Flows		9
Notes to Financial Statements		10
Supplementary Information:		
Schedule of State Financial Assistance		17
Auditor's Communication of Internal Control Matters		18
Schedule of Findings		19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Partners for Healing, Inc.
Tullahoma, Tennessee

Opinion

We have audited the accompanying financial statements of Partners for Healing, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Partners for Healing, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners for Healing, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners for Healing, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance on page 17 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.

Winnett Associates, PLLC

Shelbyville, Tennessee

June 24, 2022

STATEMENT OF FINANCIAL POSITION
PARTNERS FOR HEALING, INC.

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 138,162
Certificates of deposit	168,623
Grants receivable	70,652
Unconditional promises to give	13,163
Investments	46,375
Prepaid expenses	3,879
Inventory	86,103
Property and equipment - net	124,173
Investments designated for long-term purposes	33,166
TOTAL ASSETS	<u>\$ 684,296</u>

LIABILITIES

Accounts payable	\$ 3,367
Payroll-related liabilities	3,409
TOTAL LIABILITIES	<u>6,776</u>

NET ASSETS

Without donor restrictions	\$ 664,287
With donor restrictions	13,233
TOTAL NET ASSETS	<u>677,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 684,296</u>

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

STATEMENT OF ACTIVITIES
PARTNERS FOR HEALING, INC.

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 77,882	\$ 8,163	\$ 86,045
Grants	159,943	2,500	162,443
Gifts-in-kind	118,042	-	118,042
Special events and other fundraising activities	55,355	-	55,355
Investment income	9,515	-	9,515
Other income	1,357	-	1,357
Net assets released from restrictions:			
Satisfaction of donor restrictions	3,620	(3,620)	-
Expiration of time restrictions	4,219	(4,219)	-
TOTAL SUPPORT AND REVENUE	429,933	2,824	432,757
EXPENSES:			
Program services	492,289	-	492,289
Supporting services:			
Management and general	92,273	-	92,273
Fundraising	582	-	582
TOTAL EXPENSES	585,144	-	585,144
CHANGES IN NET ASSETS	(155,211)	2,824	(152,387)
NET ASSETS AT BEGINNING OF YEAR	819,498	10,409	829,907
NET ASSETS AT END OF YEAR	\$ 664,287	\$ 13,233	\$ 677,520

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

STATEMENT OF FUNCTIONAL EXPENSES

PARTNERS FOR HEALING, INC.

Year ended December 31, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		
	Patient Care	Management and General	Fundraising	Total Expenses
Advertising	\$ -	\$ 2,454	\$ 112	\$ 2,566
Cleaning and maintenance	6,752	2,251	-	9,003
Clinic supplies	277,404	-	-	277,404
Contracted medical services	18,879	-	-	18,879
Depreciation	3,233	2,155	-	5,388
Donated medical services	6,910	-	-	6,910
Fundraising	-	-	470	470
Office expenses	9,103	2,300	-	11,403
Other expenses	1,777	478	-	2,255
Patient services	19,935	-	-	19,935
Payroll taxes	9,901	4,659	-	14,560
Professional fees	-	14,717	-	14,717
Property and liability insurance	3,630	1,210	-	4,840
Salaries and wages	127,153	59,837	-	186,990
Telephone and communications	3,899	975	-	4,874
Utilities	3,292	1,097	-	4,389
Workers compensation insurance	421	140	-	561
TOTAL EXPENSES	<u>\$ 492,289</u>	<u>\$ 92,273</u>	<u>\$ 582</u>	<u>\$ 585,144</u>

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

STATEMENT OF CASH FLOWS
PARTNERS FOR HEALING, INC.

Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$	(152,387)
------------------------	----	-----------

Adjustments to reconcile decrease in net assets
to cash provided by operating activities:

Depreciation and amortization	\$	5,388
-------------------------------	----	-------

Change in operating assets and liabilities:

Receivables	5,113
Unconditional promises to give	(8,944)
Inventory	172,468
Prepaid expenses	-
Accounts payable	(269)
Payroll-related liabilities	(2,497)

NET ADJUSTMENTS		171,259
-----------------	--	---------

NET CASH PROVIDED BY OPERATING ACTIVITIES		18,872
---	--	--------

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposit	(40,485)
-------------------------	----------

Other investments	(8,654)
-------------------	---------

Payments for property and equipment	-
-------------------------------------	---

NET CASH USED BY INVESTING ACTIVITIES		(49,139)
---------------------------------------	--	----------

NET DECREASE IN CASH AND CASH EQUIVALENTS		(30,267)
---	--	----------

BEGINNING CASH AND CASH EQUIVALENTS		168,429
-------------------------------------	--	---------

ENDING CASH AND CASH EQUIVALENTS	\$	138,162
----------------------------------	----	---------

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

NOTES TO FINANCIAL STATEMENTS

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Partners for Healing, Inc. (“the Organization”), began operations in November 2001 in Tullahoma, Tennessee. The Organization provides free primary health care services, including well woman and well man examinations, laboratory tests, ultrasounds, prescription assistance, mammogram screening, counseling, and chronic disease management education to uninsured individuals who are working, disabled, or those transitioning into work 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 financial statements of the Organization are prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits. Cash in excess of current requirements is invested in interest-bearing accounts such as certificates of deposit. For purposes of the statement of cash flows, the Organization considers cash and investments with a maturity of three months or less which are neither designated nor restricted for long-term purposes to be cash equivalents.

Contributions

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions for which donor-imposed conditions or restrictions are met in the same period are reported as increases in net assets without donor restrictions. Other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Inventory

Inventory consists primarily of donated medications which are recorded at estimated fair values at the time of the donation.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Accounts

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Indebtedness to the Organization known to be uncollectible has been written off, and adequate provision, based upon a review of the current status of other amounts receivable and historical collection experience, has been made for anticipated adjustments and for possible losses in collection of the remaining amounts.

Investments

The investment in the Endowment fund is reported at fair value as determined by the investment manager on the last business day of the reporting period. Gains or losses in the value of the investment are included in the change in net assets.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value on the date contributed. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of the individual assets as follows: furnishings and equipment, 5-10 years; buildings, 10-40 years.

Contributed Services

The Organization records various types of in-kind support, including contributed services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The value of in-kind support meeting the requirements for recognition in the financial statements is disclosed in Note 8. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization receives approximately 150 volunteer hours per year.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization's policy is to expense advertising costs as they are incurred.

Functional Expenses

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

Use of Estimates

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

NOTE 2 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods:

Support of next year's programs	\$ 5,662
Care coordination services	5,000
Patient assistance	2,570

NOTE 3 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

From time to time, the Organization may have on deposit in financial institutions funds that total in excess of the insured maximum of \$250,000. As of December 31, 2021, there were no amounts on deposit in any financial institution that exceeded \$250,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give consist of the following amounts due within one year:

United Way funding for fiscal year 2022	\$ 3,163
Tennessee Charitable Care Network funding for fiscal year 2022 and 2021	5,000
Sponsorship	<u>5,000</u>
Estimated allowance for amount uncollectible	-
Net amount of unconditional promises to give	<u>\$ 13,163</u>

The Organization has agreements with the Tennessee Department of Health whereby the Department will transfer funds to the Organization based on services provided to individuals under the Safety Net and Breast and Cervical Screening programs. The amounts transferred under the programs are not specified in advance, but are based on the number of individuals served. No revenues are recorded until the conditions of the agreements are met.

NOTE 5 - INVESTMENTS

The PFH Endowment Fund (the Fund) was established by the Organization's governing board to be held indefinitely, the income from which is expendable for program and supporting services. The fair value of the investment at December 31, 2021, \$79,541, represents the Organization's proportionate share of the net assets of a managed fund. Of that amount, \$33,166 is to be held indefinitely, while the remainder may be withdrawn upon request, in the normal course of business, in accordance with the policies of the fund. Distributions from the Fund shall be established by the Organization's governing board.

The managed fund is authorized to invest in interest bearing deposit accounts, bonds, common or preferred stocks, common trust funds, mutual funds, or other securities, and to hold funds in non-interest-bearing deposit accounts pending investment or disbursement thereof. The managed fund consults with an advisory group regarding the investment and monitoring of the fund's assets.

Fund investment income (loss), is comprised of the following for the year ended December 31, 2021:

Interest and dividends, net of expenses of \$673	\$ 477
Realized gain	6,753
Change in unrealized gain/loss	<u>1,423</u>
	<u>\$ 8,653</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 6 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

	<u>Cost</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2021</u>
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Building	162,114	-	-	162,114
Equipment	61,821	-	-	61,821
Software	<u>10,082</u>	<u>-</u>	<u>-</u>	<u>10,082</u>
	<u>\$ 264,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,017</u>

	<u>Accumulated Depreciation/Amortization</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2021</u>
Building	\$ 62,553	\$ 5,388	\$ -	\$ 67,941
Equipment	61,821	-	-	61,821
Software	<u>10,082</u>	<u>-</u>	<u>-</u>	<u>10,082</u>
	<u>\$ 134,456</u>	<u>\$ 5,388</u>	<u>\$ -</u>	<u>\$ 139,844</u>

Depreciation expense totaled \$5,388 for the year.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021, reduced by an amount not available for general use because the governing board has set that amount to be held indefinitely in the PFH Endowment Fund. See Note 5.

Financial assets at year-end	\$ 470,141
Less those unavailable for general expenditures within one year, due to:	
Board designations: Endowment fund, primarily for long-term investing	33,166
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 436,975</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 8 - IN-KIND REVENUE AND EXPENSES

The Organization received in-kind gifts that consisted of the following:

Professional services	\$ 9,867
Medical and other supplies	97,433
Ultrasounds, mammograms, labs	10,400
Other	342

NOTE 9 - CONCENTRATIONS AND CONTINGENCIES

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.

Additionally, federal and state programs are subject to agency monitoring and retroactive adjustments which may result in paybacks by the Organization. No estimate of any such paybacks can be made at the present time.

While the impact of the COVID-19 pandemic on the Organization for 2020 and 2021 has not been quantified, management continues to have ongoing concerns related to the pandemic's potential impact on its patient counts and its ability to raise contributions.

NOTE 10 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that contributions be measured at the fair value of the assets given. The present value of estimated future cash flows using a discount rate is an appropriate measure of fair value of unconditional promises to give cash. Unconditional promises to give that are expected to be paid in less than one year may be measured at net settlement value because that amount, although not equivalent to the present value of estimated future cash flows, results in a reasonable estimate of fair value.

At December 31, 2021, all unconditional promises to give are expected to be paid in less than one year.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2021

NOTE 11 - TAX-EXEMPT STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the U. S. Internal Revenue Code, is not a private foundation and does not conduct any unrelated business activities. Gifts to the Organization are tax deductible as charitable contributions. The Organization files information tax returns with the Internal Revenue Service. These returns are generally subject to examination for three years after filing. The open period includes years ending in 2018-2021.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 24, 2022, which is the date the financial statements were available to be issued.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

PARTNERS FOR HEALING, INC.

Year ended December 31, 2021

Grantor Agency	Program Description	Beginning Accrued	Cash Receipts	FY 2021 Revenue	Ending Accrued
Tennessee Department of Health:					
Safety Net	Primary Care Services to Uninsured Adults	\$ 70,457	\$ 112,671	\$ 110,028	\$ 67,814
	Breast and Cervical Cancer Screening Program	308	4,385	6,415	2,338
	Immunizations Cooperative Agreements	-	-	5,000	5,000
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 70,765</u>	<u>\$ 117,056</u>	<u>\$ 121,443</u>	<u>\$ 75,152</u>

Note 1- Basis of presentation

Schedule was prepared using the accrual basis of accounting.

See independent auditor's report.

Board of Directors
Partners for Healing, Inc.
Tullahoma, Tennessee

In planning and performing our audit of the financial statements of Partners for Healing, Inc. (a not-for-profit corporation), as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Partners for Healing, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in Partners for Healing, Inc.'s internal control to be a significant deficiency – Finding 2021-001.

This communication 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.

Winnett Associates, PLLC

Shelbyville, Tennessee
June 24, 2022

SCHEDULE OF FINDINGS
PARTNERS FOR HEALING, INC.

December 31, 2021

Finding 2021-001

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 has an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the functions were performed by the auditor as an accommodation to management. The Organization does not currently employ anyone with the skills and training to prepare financial statements and related disclosures in accordance with generally accepted accounting principles.

Additionally, the Organization's ability to segregate accounting functions is limited by the number of staff.

Recommendation:

Due to the nature and size of the Organization, it may not be practical or possible to prepare financial statements internally in accordance with generally accepted accounting principles. Therefore, management may wish to acknowledge these deficiencies while continuing to review the financial statements, including disclosures, drafted by the auditor and provide oversight controls to mitigate the limited segregation of duties.

Management's Response:

We concur.