AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

PARTNERS FOR HEALING, INC.

(A NOT-FOR-PROFIT CORPORATION)

December 31, 2019

CONTENTS

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Partners for Healing, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Partners for Healing, Inc. as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 4, Partners for Healing, Inc. adopted Financial Accounting Standards Board (FASB)'s ASU No. 2018-08 (an amendment of the FASB's *Accounting Standards Codification*) for the year ended December 31, 2019. There were no significant changes in individual financial statement line items in the current period resulting from applying the amendment instead of the previous guidance.

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 16 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
May 22, 2020

STATEMENT OF FINANCIAL POSITION

PARTNERS FOR HEALING, INC.

December 31, 2019

ASSETS			
Cash and cash equivalents		$	109,113
Certificates of deposit			155,441
Grant receivable			20,854
Other receivable			1,591
Unconditional promises to give			3,302
Investments			30,946
Prepaid expenses			3,879
Inventory			347,700
Property and equipment - net			136,543
Investments designated for long-term purposes			33,166
TOTAL ASSETS		$	842,535
LIABILITIES			
Accounts payable		$	2,660
Payroll-related liabilities			5,363
TOTAL LIABILITIES			8,023
NET ASSETS			
Without donor restrictions	$ 824,282		
With donor restrictions	10,230		
TOTAL NET ASSETS			834,512
TOTAL LIABILITIES AND NET ASSETS		$	842,535

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

STATEMENT OF ACTIVITIES

PARTNERS FOR HEALING, INC.

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 79,190	$ 7,660	$ 86,850
Grants	77,030	-	77,030
Gifts-in-kind	327,608	-	327,608
Special events and other fundraising activities	69,761	-	69,761
Investment income	13,577	-	13,577
Other income	1,179	-	1,179
Net assets released from restrictions:			
Satisfaction of donor restrictions	26,510	(26,510)	-
Expiration of time restrictions	1,848	(1,848)	-
TOTAL SUPPORT AND REVENUE	596,703	(20,698)	576,005
EXPENSES:			
Program services	675,904	-	675,904
Supporting services:			
Management and general	78,298	-	78,298
Fund raising	19,779	-	19,779
TOTAL EXPENSES	773,981	-	773,981
CHANGES IN NET ASSETS	(177,278)	(20,698)	(197,976)
NET ASSETS AT BEGINNING OF YEAR	1,001,560	30,928	1,032,488
NET ASSETS AT END OF YEAR	$ 824,282	$ 10,230	$ 834,512

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

STATEMENT OF FUNCTIONAL EXPENSES

PARTNERS FOR HEALING, INC.

Year ended December 31, 2019

	Program Services	Supporting Services		
	Patient Care	Management and General	Fundraising	Total Expenses
Advertising	$ -	$ -	$ 1,200	$ 1,200
Cleaning and maintenance	4,310	1,437	-	5,747
Clinic supplies	486,905	-	-	486,905
Contracted medical services	2,884	-	-	2,884
Depreciation and amortization	6,068	2,022	-	8,090
Donated medical services	8,980	-	-	8,980
Fundraising	-	-	18,579	18,579
Office expenses	8,745	3,108	-	11,853
Other expenses	7,955	1,062	-	9,017
Patient services	15,494	-	-	15,494
Payroll taxes	9,009	3,962	-	12,971
Professional fees	-	12,941	-	12,941
Property and liability insurance	3,701	1,234	-	4,935
Salaries and wages	114,015	50,224	-	164,239
Telephone and communications	3,646	911	-	4,557
Utilities	3,472	1,157	-	4,629
Workers compensation insurance	720	240	-	960
TOTAL EXPENSES	$ 675,904	$ 78,298	$ 19,779	$ 773,981

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

STATEMENT OF CASH FLOWS

PARTNERS FOR HEALING, INC.

Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:				
Decrease in net assets			$	(197,976)
Adjustments to reconcile decrease in net assets to cash provided by operating activities:				
Depreciation and amortization	$	8,090		
Change in operating assets and liabilities:				
Receivables		(12,596)		
Unconditional promises to give		10,390		
Inventory		177,263		
Prepaid expenses		-		
Accounts payable		(4,227)		
Payroll-related liabilities		(2,561)		
NET ADJUSTMENTS				176,359
NET CASH USED BY OPERATING ACTIVITIES				(21,617)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Certificates of deposit		37,274		
Other investments		(9,126)		
Payments for property and equipment		-		
NET CASH USED BY INVESTING ACTIVITIES				28,148
NET INCREASE IN CASH AND CASH EQUIVALENTS				6,531
BEGINNING CASH AND CASH EQUIVALENTS				102,582
ENDING CASH AND CASH EQUIVALENTS			$	109,113

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

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.

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 9. 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 over 500 volunteer hours per year.

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	$ 3,302
Increased labs	4,358
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, 2019, there were no amounts on deposit in any financial institution that exceeded $250,000.

NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLE

The Financial Accounting Standards Board's accounting standards update, ASU No. 2018-08, is effective for the Organization for the year ended December 31, 2019. The amendments in the update clarify guidance about whether a transfer of assets is a contribution or an exchange transaction and provide guidance about how to determine whether a contribution is conditional. Determining whether a contribution is conditional is important as such classification affects the timing of contribution revenue and expense recognition.

NOTE 5 - PROMISES TO GIVE

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

United Way funding for fiscal year 2020	$ 3,302
Estimated allowance for amount uncollectible	-
Net amount of unconditional promises to give	$ 3,302

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 is 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 6 - 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, 2019, $64,112, 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, 2019:

Interest and dividends, net of expenses of $524	$ 764
Realized gain	1,037
Change in unrealized gain/loss	7,325
	$ 9,126

NOTE 7 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

	Cost			
	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Land	$ 30,000	$ -	$ -	$ 30,000
Building	162,114	-	-	162,114
Equipment	61,821	-	-	61,821
Software	10,082	-	-	10,082
	$ 264,017	$ -	$ -	$ 264,017

	Accumulated Depreciation/Amortization			
	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Building	$ 51,252	$ 5,299	$ -	$ 56,551
Equipment	60,010	1,811	-	61,821
Software	8,122	980	-	9,102
	$ 119,384	$ 8,090	$ -	$ 127,474

Depreciation expense totaled $7,110 for the year, and amortization was $980 for the year.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019, 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 6.

Financial assets at year-end	$ 354,413
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	$ 321,247

NOTE 9 - IN-KIND REVENUE AND EXPENSES

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

Professional services	$ 8,341
Medical and other supplies	294,020
Ultrasounds and mammograms	11,877
Advertising	1,200
Other	12,170

NOTE 10 -CONCENTRATIONS AND CONTINGENCIES

While the Organization conducts multiple fundraising activities, a significant amount is raised by one event. For 2019 the amount raised was $67,548.

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.

The impact of the COVID-19 pandemic on the Organization is unknown at this time. While limiting in-person visits and a possible decrease in charitable donations resulting from an economic downturn are two factors that could impact the Organization, an amendment to one of the Organization's funding agreements will allow telehealth as an option for patient encounters eligible for payment.

NOTE 11 - 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, 2019, all unconditional promises to give are expected to be paid in less than one year.

NOTE 12 - 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 2016-2019.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 22, 2020, 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, 2019

Grantor Agency	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
Tennessee Department of Health:					
Safety Net Primary Care Services	N/A	$ 9,849	$ 51,783	$ 62,788	$ 20,854
Breast and Cervical Cancer Screening Program	N/A	-	12,650	14,242	1,592
TOTAL STATE FINANCIAL ASSISTANCE		$ 9,849	$ 64,433	$ 77,030	$ 22,446

Schedule was prepared using the accrual basis of accounting.

See independent auditor's report.

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

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, 2019, 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 material weakness and another deficiency 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Partners for Healing, Inc.'s internal control to be a material weakness – Finding 2019-002.

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 2019-001**.**

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
May 22, 2020

Finding 2019-001

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.

Finding 2019-002

We identified various audit adjustments through the performance of our audit procedures affecting receivables, accrued payroll liabilities, inventory, and in-kind revenue and expense. Management has indicated that it plans to recommend a policy for pricing and monitoring inventory.

Recommendation:

Management should implement procedures to ensure that all balance sheet accounts, as well as in-kind revenue and expense accounts, are adjusted on a timely basis.

Management's Response:

We concur.