AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

# PARTNERS FOR HEALING

(A NOT-FOR-PROFIT CORPORATION)

December 31, 2015

WINNETT Associates, PLLC

Certified Public Accountants and Consultants

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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partners for Healing
Tullahoma, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Partners for Healing (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2015, 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 qualified audit opinion.

***Basis for Qualified Opinion***

We did not observe the taking of the physical inventories at December 31, 2014, since that date was prior to the time we were initially engaged as auditors for Partners for Healing. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the Basis of Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Partners for Healing as of December 31, 2015, 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***

*Change in Accounting Principle and Prior Period Adjustment*

As discussed in Note 12, Partners for Healing adopted a new accounting policy for disclosing its investment in a managed fund and recorded a prior period adjustment to record contributions receivable. Our opinion is not modified with respect to those matters.

***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 and state financial assistance on page 15 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 June 21, 2016, on our consideration of Partners for Healing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partners for Healing's internal control over financial reporting and compliance.

Winnett Associates, PLLC

Shelbyville, Tennessee
June 16, 2016

## STATEMENT OF FINANCIAL POSITION

## PARTNERS FOR HEALING

**December 31, 2015**

| | | | | |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash for general use | | | $ | 239,688 |
| Certificates of deposit | | | | 171,263 |
| Grant receivable | | | | 6,675 |
| Unconditional promises to give | | | | 14,400 |
| Inventory | | | | 14,334 |
| Prepaid expenses | | | | 2,641 |
| Investment in Endowment Fund | | | | 49,251 |
| Property and equipment | | | | 136,234 |
| TOTAL ASSETS | | | $ | 634,486 |
| | | | | |
| LIABILITIES | | | | |
| Accounts payable | | | $ | 679 |
| Payroll taxes | | | | 2,833 |
| TOTAL LIABILITIES | | | | 3,512 |
| NET ASSETS | | | | |
| Unrestricted | $ | 593,567 | | |
| Temporarily restricted | | 37,407 | | |
| Permanently restricted | | - | | |
| TOTAL NET ASSETS | | | | 630,974 |
| TOTAL LIABILITIES AND NET ASSETS | | | $ | 634,486 |

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

**STATEMENT OF ACTIVITIES**

**PARTNERS FOR HEALING**

**Year ended December 31, 2015**

| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL |
|---|---|---|---|---|
| SUPPORT AND REVENUE: | | | | |
| Contributions | $ 155,392 | $ 5,008 | $ - | $ 160,400 |
| Grants | 27,175 | - | - | 27,175 |
| Gifts-in-kind | 81,572 | - | - | 81,572 |
| Special events and other fundraising activities | 65,804 | - | - | 65,804 |
| Investment income | 2,246 | - | - | 2,246 |
| Other income | 470 | - | - | 470 |
| Net assets released from restrictions: | | | | |
| Satisfaction of donor restrictions | 218 | (218) | - | - |
| Expiration of time restrictions | 4,950 | (4,950) | - | - |
| TOTAL SUPPORT AND REVENUE | 337,827 | (160) | - | 337,667 |
| EXPENSES: | | | | |
| Program services | 183,040 | - | - | 183,040 |
| Supporting services: | | | | |
| Management and general | 92,970 | - | - | 92,970 |
| Fund raising | 11,111 | - | - | 11,111 |
| TOTAL EXPENSES | 287,121 | - | - | 287,121 |
| CHANGES IN NET ASSETS | 50,706 | (160) | - | 50,546 |
| NET ASSETS AT BEGINNING OF YEAR | 542,861 | 37,567 | - | 580,428 |
| NET ASSETS AT END OF YEAR | $ 593,567 | $ 37,407 | $ - | $ 630,974 |

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**PARTNERS FOR HEALING**

**Year ended December 31, 2015**

| | Program Services | Supporting Services | | |
|---|---|---|---|---|
| | Patient Care | Management and General | Fundraising | Total Expenses |
| Amortization | $ - | $ 843 | $ - | $ 843 |
| Advertising | 712 | - | - | 712 |
| Cleaning and maintenance | 5,389 | 1,796 | - | 7,185 |
| Clinic supplies | 37,425 | - | - | 37,425 |
| Contracted medical services | 1,862 | - | - | 1,862 |
| Depreciation | 4,516 | 1,505 | - | 6,021 |
| Donated medical services | 20,090 | - | - | 20,090 |
| Fundraising | - | - | 11,111 | 11,111 |
| Office expenses | 2,700 | 3,163 | - | 5,863 |
| Other expenses | 2,690 | 543 | - | 3,233 |
| Patient services | 1,715 | - | - | 1,715 |
| Payroll taxes | 6,832 | 4,320 | - | 11,152 |
| Professional fees and dues | - | 21,151 | - | 21,151 |
| Property and liability insurance | 2,871 | 957 | - | 3,828 |
| Salaries and wages | 89,892 | 56,860 | - | 146,752 |
| Telephone and communications | 2,476 | 826 | - | 3,302 |
| Utilities | 3,019 | 1,006 | - | 4,025 |
| Workers compensation insurance | 851 | - | - | 851 |
| TOTAL EXPENSES | $ 183,040 | $ 92,970 | $ 11,111 | $ 287,121 |

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

**STATEMENT OF CASH FLOWS**

## PARTNERS FOR HEALING

**Year ended December 31, 2015**

| | | | | |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Increase in net assets | | | $ | 50,546 |
| Adjustments to reconcile increase in net assets to cash provided by operating activities: | | | | |
| Depreciation and amortization | $ | 6,864 | | |
| Contribution of long-lived asset | | (2,940) | | |
| (Increase) decrease in operating assets: | | | | |
| Grant receivable | | 2,025 | | |
| Unconditional promises to give | | 4,950 | | |
| Inventory | | (14,334) | | |
| Prepaid expenses | | (834) | | |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable | | 109 | | |
| Accrued payroll taxes | | (617) | | |
| NET ADJUSTMENTS | | | | (4,777) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | 45,769 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investments | | 48,871 | | |
| Payments for property and equipment | | (1,124) | | |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | | | 47,747 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | | 93,516 |
| BEGINNING CASH AND CASH EQUIVALENTS | | | | 146,172 |
| ENDING CASH AND CASH EQUIVALENTS | | | $ | 239,688 |

| | | |
|---|---|---|
| SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS | | |
| Contribution of long-lived asset | $ | 2,940 |

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 ("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 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.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted. In addition, the Organization is required to present a statement of cash flows and a statement of functional expenses, which is required for voluntary health and welfare organizations.

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 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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily (or permanently, when applicable) restricted assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. The Organization has not implied time restrictions on gifts of long-lived assets.

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 reported in the statement of activities in the period in which they occur as unrestricted support.

Property and Equipment

Property and equipment purchased are stated at cost and donated property and equipment are stated at fair market value on the date contributed, less accumulated depreciation which is computed by the straight-line method over estimated useful lives of the individual assets as follows: furniture and equipment, 5-7 years; buildings, 39 years. 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.

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 over 700 volunteer hours per year.

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

Inventory

Inventory consists primarily of donated medications and other medical supplies which are reported at estimated fair value at the time of the donation. Any medications purchased are reported at cost – first-in, first-out method.

Compensated Absences

Employees of the Organization do not accrue sick or vacation time; therefore no amounts are included in the financial statements for compensated absences.

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. The remaining expenses are specifically allocated, whenever practical, or are based on salaries. 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.

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

Of the temporarily restricted net assets at December 31, 2015, $19,400 is funding for succeeding years' operations, $2,570 is for patient assistance, $750 is for diabetic test strips, and $14,687 is related to funds raised through a capital campaign.

NOTE 3 - CASH

The following is a summary of unrestricted cash at December 31, 2015:

| | Cash Equivalents | Certificates of Deposit | Total |
|---|---|---|---|
| Cash for general use | $ 239,688 | $ 171,263 | $ 410,951 |

NOTE 4 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

From time to time, the Center has on deposit in financial institutions funds that total in excess of the insured maximum of $250,000. As of December 31, 2015, this risk amount, based on bank balances, was $12,714.

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

| | |
|---|---|
| Amount promised for 2016 | $ 5,000 |
| Amount promised for 2017 | 5,000 |
| Amount promised for 2018 | 5,000 |
| | 15,000 |
| Less discount | 600 |
| | $ 14,400 |

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, 2015, $49,251, 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.

Investment income is comprised of the following for the year ended December 31, 2015:

| | |
|---|---|
| Interest and dividends, net of expenses of $478 | $ 2,695 |
| Realized gain | 1,863 |
| Unrealized loss | (2,312) |
| | $ 2,246 |

NOTE 7 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

| | Cost | | | |
|---|---|---|---|---|
| | Balance January 1, 2015 | Additions | Retirements | Balance December 31, 2015 |
| Land | $ 30,000 | $ | -$ - | $ 30,000 |
| Building | 139,497 | - | - | 139,497 |
| Equipment | 56,388 | 1,124 | - | 57,512 |
| Software | 7,142 | 2,940 | - | 10,082 |
| | $ 233,027 | $ 4,064 | $ - | $ 237,091 |

| | Accumulated Depreciation/Amortization | | | |
|---|---|---|---|---|
| | Balance January 1, 2015 | Additions | Retirements | Balance December 31, 2015 |
| Building | $ 36,920 | $ 3,577 | $ - | $ 40,497 |
| Equipment | 50,775 | 2,444 | - | 53,219 |
| Software | 6,299 | 843 | - | 7,142 |
| | $ 93,994 | $ 6,864 | $ - | $ 100,858 |

Depreciation expense totaled $6,021 for the year, and amortization was $843 for the year.

NOTE 8 - IN-KIND REVENUE AND EXPENSES

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

| | |
|---|---|
| Professional services | $30,853 |
| Medical supplies | 45,234 |
| Software | 2,940 |
| Other | 2,546 |

In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

NOTE 9 - CONCENTRATIONS AND CONTINGENCIES

While the Organization conducts multiple fundraising activities, a significant amount is raised by one event. For 2015 the amount raised was $55,514.

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.

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.

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 of 1.3 per cent 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.

Assets measured at fair value on a recurring basis using unobservable inputs (Level 3):

| | | |
|---|---|---|
| Contributions receivable | August 15, 2014 | $ 19,350 |
| | Issuances | - |
| | Settlements | 4,950 |
| | December 31, 2015 | $ 14,400 |

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 2012-2015.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2015, the Organization implemented Financial Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* The Update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

Generally accepted accounting principles require that unconditional promises to give with payments due in future periods be recorded as an increase in temporarily restricted assets with implied time restrictions that expire in the periods that the payments of the unconditional promise are due. The Organization recorded a prior period adjustment in fiscal year 2015 to recognize an unconditional promise made in 2014 for contributions to be made in each of five years, starting in 2014. The effect of the adjustment was to increase beginning temporarily restricted net assets by $20,000, less a discount of $650 reflecting a present value calculation. The effect of the adjustment on the change in net assets of the preceding period is to increase the change by $19,350.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 16, 2016, which is the date the financial statements were available to be issued.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

# PARTNERS FOR HEALING

**Year ended December 31, 2015**

| Grantor Agency | CFDA Number | Contract Number | Beginning Accrued | Cash Receipts | Expenditures | Ending Accrued |
|---|---|---|---|---|---|---|
| FEDERAL AWARDS | | | $ - | $ - | $ - | $ - |
| STATE FINANCIAL ASSISTANCE | | | | | | |
| Tennessee Department of Health: | | | | | | |
| Safety Net Primary Care Services | N A | GR-15-42892-00 | 8,700 | 8,700 | - | - |
| Safety Net Primary Care Services | N A | GR-16-46545-00 | - | 20,500 | 27,175 | 6,675 |
| TOTAL STATE FINANCIAL ASSISTANCE | | | 8,700 | 29,200 | 27,175 | 6,675 |
| TOTAL FEDERAL AND STATE AWARDS | | | $ 8,700 | $ 29,200 | $ 27,175 | $ 6,675 |

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

# 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*

Board of Directors
Partners for Healing
Tullahoma, Tennessee

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 (a not-for-profit-corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2016.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partners for Healing'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 Partners for Healing's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partners for Healing'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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies--2015-001 and 2015-002.

**Compliance and Other Matters**

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

**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 that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winnett Associates, PLLC

Shelbyville, Tennessee
June 16, 2016

## PARTNERS FOR HEALING

**December 31, 2015**

Finding 2015-001

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 number of staff limit the Organization's ability to segregate accounting functions.

Recommendation:

Due to the nature and size of the Organization, it may not be practical or possible to perform these functions. Therefore, management may wish to acknowledge this deficiency 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 2015-002

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

1. Recording grant receivable
2. Recording in-kind revenue and expenses
3. Recording prepaid expenses
4. Adjusting depreciation/amortization expense
5. Recording fixed asset additions
6. Recording inventory
7. Recording contribution receivable

Recommendation:

Routine adjustments should be made at least annually as part of the year-end closing process. Additionally an inventory should be taken as of the end of the fiscal year.

Management's Response:

We concur.

## SCHEDULE OF PRIOR YEAR FINDINGS

## PARTNERS FOR HEALING

**For the Fiscal Year Ended December 31, 2015**

Financial Statement Findings

| Finding Number | Finding Title | Status |
|---|---|---|
| 2014-001 | Financial statements drafted by auditor | Repeated |
| 2014-002 | Yearend closing adjustments not recorded prior to audit | Repeated |

Federal Award Findings and Questioned Costs

Not applicable