

PARTNERS FOR HEALING
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2008

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DECEMBER 31, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Partners for Healing

We have audited the accompanying statement of financial position of Partners for Healing (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners for Healing as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, 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* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Partners for Healing taken as a whole. The accompanying schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditure of state and other awards on page 10 is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Housholder Artman PLLC

Tullahoma, TN
June 25, 2009

**PARTNERS FOR HEALING
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

ASSETS

Cash and cash equivalents	\$ 193,046
Certificates of deposits	178,814
Grants receivable	34,751
Accounts receivable	169
Restricted cash endowment	33,166
Property and equipment, net of accumulated depreciation	166,770

TOTAL ASSETS	\$ 606,716
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,455
Accrued liabilities	2,867
Unearned grant proceeds	45,781

TOTAL LIABILITIES	50,103
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NET ASSETS

Unrestricted	507,286
Temporarily restricted	16,161
Permanently restricted	33,166

TOTAL NET ASSETS	556,613
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TOTAL LIABILITIES AND NET ASSETS	\$ 606,716
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The accompanying notes are an integral part of this financial statement.

**PARTNERS FOR HEALING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

UNRESTRICTED NET ASSETS

Unrestricted revenues and support:	
Contributions	\$ 41,963
Fundraising income	70,518
Grants	76,671
Contracts and private grants	40,108
Volunteer labor services	16,254
Interest income	11,718
Other income	1,752
	<hr/>
Total revenues and support	258,984
Net assets released from donor restrictions	15,965
Expenses	
Program services:	
Salaries and labor costs	123,217
Building and occupancy expense	26,081
Medical services	22,149
	<hr/>
Total program services	171,447
Supporting services:	
Salaries and labor costs	49,023
Building and occupancy expense	18,087
Fundraising expenses	8,911
Interest expense	19
	<hr/>
Total supporting services	76,040
	<hr/>
Total expenses	247,487
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CHANGE IN UNRESTRICTED NET ASSETS	27,462
TEMPORARILY RESTRICTED ASSETS	
Contributions	4,015
Net assets released from donor restrictions	(15,965)
	<hr/>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(11,950)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-
	<hr/>
CHANGE IN NET ASSETS	15,512
NET ASSETS AT BEGINNING OF YEAR	571,952
Prior period adjustment	(30,851)
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NET ASSETS AT END OF YEAR	\$ 556,613

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

**PARTNERS FOR HEALING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 15,512
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,141
Increase in grants receivable	214
Decrease in accounts receivable	(169)
Decrease in promises to give	20,000
Decrease in accounts payable	(797)
Increase in accrued liabilities	56
Increase in unearned grant proceeds	23,162
	<hr/>
Total Adjustments	52,607
	<hr/>
Net cash provided by operating activities	68,119
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for certificates of deposit	(7,133)
Sale of capital assets not used in operations	10,000
	<hr/>
Net cash provided by investing activities	2,867
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CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on notes payable	(11,193)
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Net cash used by financing activities	(11,193)
	<hr/>

NET INCREASE IN CASH AND EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS, END OF YEAR

59,793
133,253
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\$ 193,046
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SUPPLEMENTAL DATA:

Interest paid	\$ 19
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The accompanying notes are an integral part of this financial statement.

**PARTNERS FOR HEALING
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF 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 and Franklin 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 has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit". Under SFAS No. 117, 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

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.

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.

**PARTNERS FOR HEALING
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

Cash includes petty cash and 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.

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 2008 is \$694.

NOTE 2 – CASH AND CASH IN CERTIFICATES OF DEPOSIT

The Organization's cash in checking and certificates of deposits totaled \$405,026. The total balance in certificates of deposits was \$178,814, all of which are secured by FDIC insurance.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2008 consist of the following:

Land	\$ 30,000
Building	139,497
Equipment	<u>51,287</u>
	220,784
less accumulated depreciation	<u>(54,014)</u>
	<u><u>\$ 166,770</u></u>

Depreciation expense was \$10,141 for the year ended December 31, 2008.

**PARTNERS FOR HEALING
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 – DONATED SERVICES

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 2008 has been estimated to be \$16,254 and is included in volunteer labor services and program services - salaries and labor costs in the Statement of Activities.

NOTE 5 – 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 6 – NOTE PAYABLE

During the year ended December 31, 2008, the organization paid off a note payable to a bank. The note payable had an interest rate of 4.5% and was scheduled to mature on May 10, 2009. The note was secured by the organization's real estate. Interest expense totaled \$19 for the year ended December 31, 2008. The following is a summary of activity for the note payable:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Note payable	\$ 11,193	\$ -	\$ (11,193)	\$ -

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2008:

Building fund	\$ 14,687
Dental services	300
Diabetic supplies	750
Patient assistance	424
	<u>\$ 16,161</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2008:

Endowment Funds for operating the clinic	\$ 33,166
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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.

**PARTNERS FOR HEALING
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 9 – FUNDRAISING EXPENSES AND REVENUES

The Organization held several fundraising activities, to earn additional funds and increase public awareness of the organization. Fundraising revenues of \$70,518 are included in revenues and support and fundraising expenses of \$8,911 are included in supporting services in the Statement of Activities.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

During the year 2008, adjustments were made to recognize prior year errors in recording grant revenue. It was discovered that revenue for the Tennessee Safety Net grant had been overstated by a total of \$18,175, of which \$8,125 applied to the 2007 year. In addition, it was discovered that the funds awarded for a vitamin antitrust settlement in 2003 of \$42,500 had not been expended. The remaining balance of \$22,619 is shown as unearned grant proceeds in the Statement of Financial Position. Other prior period adjustments for accrued liabilities were also recognized. Prior period adjustments recorded total \$30,851.

**PARTNERS FOR HEALING
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services	Support Services		
	Patient Care	Management and General	Fundraising	Total
Salaries and wages	\$ 100,109	\$ 42,780	\$ -	\$ 142,889
Donated volunteer labor	16,254	-	-	16,254
Payroll taxes	6,308	6,243	-	12,551
Workers comp insurance	546	-	-	546
Contracted medical services	5,614	-	-	5,614
Patient services	5,328	-	-	5,328
Professional fees and dues	-	5,625	-	5,625
Clinic supplies	11,206	-	-	11,206
Office expenses	2,275	2,364	-	4,639
Telephone and communications	2,609	870	-	3,479
Utilities	3,627	1,209	-	4,836
Marketing	1,322	-	-	1,322
Depreciation	7,606	2,535	-	10,141
Property and liability insurance	2,469	823	-	3,292
Interest	-	19	-	19
Cleaning and maintenance	3,320	1,107	-	4,427
Travel	722	-	-	722
Fundraising	-	-	8,911	8,911
Other expenses	2,132	3,554	-	5,686
Totals	\$ 171,447	\$ 67,129	\$ 8,911	\$ 247,487

See accompanying accountants' report.

**PARTNERS FOR HEALING
SCHEDULE OF EXPENDITURES OF STATE AND OTHER AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Program title</u>	<u>Contract number</u>	<u>Grant period</u>	<u>Program award</u>	<u>Accrued (deferred) grant revenue January 1, 2008</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (deferred) grant revenue December 31, 2008</u>
Tennessee Department of Health:							
Safety Net Primary Care Services	GR-09-27176-00	7/1/08 to 6/30/09	\$ 51,600	\$ -	\$ -	\$ 33,925	\$ 33,925
Health Access Primary Care Clinic	GR-09-24759-00	7/1/08 to 6/30/09	6,500	-	(1,820)	2,646	826
Primary Care Services	GR-08-20417-00	7/1/07 to 6/30/08	6,500	2,940	(5,740)	2,800	-
Safety Net Primary Care Services	GR-08-23390-00	7/1/07 to 6/30/08	87,500	32,025 *	(87,500)	37,300	(18,175)
Total Expenditures of State Awards				34,965	(95,060)	76,671	16,576
Other awards							
Vitamin grant settlement	N/A		\$ 42,500	(22,619) *	-	-	(22,619)
Baptist Healing Trust-Well Women Care	191	01/01/08 to 12/31/08	25,000	-	(25,000)	25,000	-
State of TN- Community enhancement	N/A	01/01/08 to 6/30/08	9,000	-	(9,000)	9,000	-
Combined Federal Campaign	N/A	N/A	2,595	-	(2,595)	2,595	-
Community Foundation	2702297CFMT	12/01/07 to 11/30/08	8,500	-	(8,500)	3,513	(4,987)
				<u>(22,619)</u>	<u>(45,095)</u>	<u>40,108</u>	<u>(27,606)</u>
				<u>\$ 12,346</u>	<u>\$ (140,155)</u>	<u>\$ 116,779</u>	<u>\$ (11,030)</u>
							Grants receivable \$ 34,751
							Unearned grant (45,781)
							<u>\$ (11,030)</u>

* as adjusted by prior period adjustment

See accompanying accountants' report.

INTERNAL CONTROL AND COMPLIANCE SECTION