PARTNERS FOR HEALING, INC.

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Partners for Healing, Inc.

We have audited the accompanying financial statements of Partners for Healing, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners for Healing, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 May 31, 2014, on our consideration of Partners for Healing, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partners for Healing, Inc.'s internal control over financial reporting and compliance.

Hendrickson Arthur PLLC

May 31, 2014

PARTNERS FOR HEALING, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS		
Cash and cash equivalents	$	77,881
Investments		158,127
Investments - restricted endowment fund		33,166
Grants receivable		10,300
Prepaid expenses		1,684
Property and equipment, net of accumulated depreciation		144,595
Other assets, net		3,224
TOTAL ASSETS	$	428,977
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	307
Accrued liabilities		3,638
TOTAL LIABILITIES		3,945
NET ASSETS		
Unrestricted		373,735
Temporarily restricted		18,131
Permanently restricted		33,166
TOTAL NET ASSETS		425,032
TOTAL LIABILITIES AND NET ASSETS	$	428,977

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

PARTNERS FOR HEALING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED NET ASSETS		
Unrestriced revenues and support:		
Contributions	$	55,846
Fundraising income		75,923
Grants		67,222
Foundation		5,049
Donated assets and services		44,514
Donated volunteer labor		27,756
Investment income		9,786
Other income		1,055
Total unrestricted revenues		287,151
Net assets released from donor restrictions		3,215
Total unrestricted revenues and other support		290,366
Expenses:		
Program services		223,407
Supporting services:		
Management and general		100,530
Fundraising expenses		19,234
Total supporting services		119,764
Total expenses		343,171
CHANGE IN UNRESTRICTED NET ASSETS		(52,805)
TEMPORARILY RESTRICTED ASSETS		
Contributions		3,457
Net assets released from donor restrictions		(3,215)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		242
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		-
CHANGE IN NET ASSETS		(52,563)
NET ASSETS AT BEGINNING OF YEAR		477,595
NET ASSETS AT END OF YEAR	$	425,032

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

PARTNERS FOR HEALING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(52,563)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		8,839
Realized and unrealized gains on investments		5,614
Interest received from certificates of deposit		(3,112)
Increase in grants receivable		1,300
Increase in prepaid expenses		(96)
(Increase) decrease in other assets		(1,606)
Decrease in accounts payable		(1,214)
Increase in accrued liabilities		(2,158)
Increase in unearned grant proceeds		(372)
Total adjustments		(4,033)
Net cash provided by operating activities		(56,596)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash proceeds from certificates of deposit		143,736
Cash payments for certificates of deposit		(143,736)
Cash payment for the purchase of investments		(362)
Net cash used by investing activities		(362)
NET INCREASE IN CASH AND EQUIVALENTS		(56,958)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		134,839
CASH AND CASH EQUIVALENTS, END OF YEAR	$	77,881

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

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Partners for Healing, Inc. (the "Organization") began operations in November 2001 in Tullahoma, Tennessee. The Organization provides free health care service, dental care, eye care, podiatry care and general education programs including social services and counseling to working uninsured individuals living in Coffee, Franklin, and Moore Counties. The Organization is primarily supported by direct solicitations to local citizens, area businesses, and local churches. The Organization also receives grants from the State of Tennessee, foundations, corporations and other organizations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization follows the Not-for-Profit Entities topic of FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

The Organization follows the Not-for-Profit Entities and Revenue Recognition subtopic of FASB Accounting Standards Codification whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through May 31, 2014, the date which the financial statements were available to be issued.

Cash and Cash Equivalents

Cash includes amounts in demand deposits. Cash in excess of current requirements, is invested in interest-bearing accounts such as certificates of deposits. For purposes of the statements of cash flows, the Board considers cash and investments with a maturity of three months or less to be cash equivalents.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value (Note 12). Level inputs are defined as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Investments

Investments consist of money market funds, shares of a mutual fund, stocks, bonds and certificates of deposit. Money market funds, shares of a mutual fund, stocks and bonds are reported at fair value (generally at quoted market prices) on the last business day of the reporting period. In the case of certain less marketable investments, principally real estate funds, offshore and private investments, fair value has been estimated by the respective investment managers (See Note 3). Certificates of deposit are reported at cost, plus any accrued interest. Gains or losses in the value of investments are reported in the statements of activities in the period they occur.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over their estimated useful lives using the straight-line depreciation method.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

The Organization follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax year that remain open for examination include the years ended December 31, 2010 through December 31, 2013. The organization had no uncertain tax positions at December 31, 2013.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2013 is $329.

NOTE 2 – CASH AND CASH IN CERTIFICATES OF DEPOSIT AND MONEY MARKET FUNDS

The Organization's cash in checking, savings, certificates of deposits, and money market funds totaled $221,990 and the bank balance totals $228,505. As of December 31, 2013, all deposits were fully insured by FDIC.

NOTE 3 - INVESTMENTS

Investments at fair value, at December 31, 2013 consist of the following:

Certificates of deposits	$ 143,919
Stock	30,509
Bonds	14,638
Money market funds	190
Mutual funds	2,037
	$ 191,293

Investment income is comprised of the following for the year ended December 31, 2013:

Interest and dividends	$ 4,172
Realized gain	1,638
Unrealized gain	3,976
	$ 9,786

NOTE 4 – PREPAID EXPENSES

Prepaid expenses consist of the following:

Prepaid insurance	$ 1,684

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2013 consist of the following:

Land	$ 30,000
Building	139,497
Equipment	56,388
	225,885
Less accumulated depreciation	(81,290)
	$ 144,595

Depreciation expense was $6,458 for the year ended December 31, 2013.

NOTE 6 – OTHER ASSETS

Other non-current assets consist of the following:

Microsoft software	$ 7,142
Less accumulated amortization	(3,918)
	$ 3,224

Amortization expense was $2,381 for the year ended December 31, 2013.

NOTE 6 – DONATED ASSETS AND SERVICES

Donated supplies and other noncash donations are recorded as contributions at their fair values at the date of donation.

The fair value of donated assets received in 2013 has been estimated to be $44,514.

NOTE 7 – DONATED VOLUNTEER LABOR

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since recognition criteria were not met.

One of the Organization's primary sources of medical care and administrative support is in the form of volunteer services. The fair value of these services received in 2013 has been estimated to be $27,756 and is included in donated volunteer labor and program services - donated volunteer labor costs in the Statement of Activities.

NOTE 8 – 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, Inc. are altered through legislation.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2013:

Building fund	$ 14,687
Diabetic supplies	750
Patient assistance	2,694
	$ 18,131

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2013:

Endowment funds for operating clinic	$ 33,166

The endowment funds are voluntarily set aside by the Board to be held indefinitely, the income from which is expendable for program and supporting services.

NOTE 11 – FUNDRAISING EXPENSES AND REVENUES

The Organization held several fundraising activities, to earn additional funds and increase public awareness of the organization. Fundraising revenues of $75,923 are included in revenues and support and fundraising expenses of $19,234 are included in supporting services in the Statement of Activities.

NOTE 12 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Organization's assessment of available market information and appropriate valuation methodologies.

The following table summarizes required fair value disclosures and measurements at December 31, 2013 for the assets and liabilities measured at fair value on a recurring basis:

	Assets Measured at Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposits	$ 143,919	$ 143,919	$ -	$ -
Stock	30,509	30,509	-	-
Bonds	14,638	14,638	-	-
Money market funds	190	190	-	-
Mutual funds	2,037	2,037	-	-
	$ 191,293	$ 191,293	$ -	$ -

NOTE 12 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents
Cash equivalents are reflected at carrying value, which is considered fair value.

Investments
The fair value of investments, as disclosed in Note 1, has been calculated based on quoted market prices, where available, and on Level 2 and 3 inputs.

Grants receivable
The carrying value of grants receivable approximates fair value due to the short-term nature of the receivables.

Accounts payable, accrued liabilities
The carrying value of these items approximates fair value due to the short-term nature of the obligations.

SUPPLEMENTAL INFORMATION

PARTNERS FOR HEALING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	Support Services		
	Patient Care	Management and General	Fundraising	Total
Amortization	$ -	$ 2,381	$ -	$ 2,381
Advetising	329	-	-	329
Cleaning and maintenance	5,070	1,689	-	6,759
Clinic supplies	33,517	-	-	33,517
Contracted medical services	2,164	-	-	2,164
Depreciation	4,844	1,615	-	6,459
Donated volunteer labor	27,756	-	-	27,756
Fundraising	-	-	19,234	19,234
Office expenses	1,807	3,771	-	5,578
Other expenses	705	1,212	-	1,917
Patient services	6,423	-	-	6,423
Payroll taxes	7,298	7,297	-	14,595
Professional fees and dues	-	25,468	-	25,468
Property and liability insurance	2,890	964	-	3,854
Salaries and wages	124,074	54,313	-	178,387
Telephone and communications	2,362	787	-	3,149
Utilities	3,100	1,033	-	4,133
Workers comp insurance	1,068	-	-	1,068
Total	$ 223,407	$ 100,530	$ 19,234	$ 343,171

See accompanying accountant's report.

PARTNERS FOR HEALING, INC.
SCHEDULE OF EXPENDITURES OF STATE AND OTHER AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Program title	Contract number	Grant period	Program award	Accrued (deferred) grant revenue January 1, 2013	Receipts	Expenditures	Adjustments/ repayments	Accrued (deferred) grant revenue December 31, 2013
Tennessee Department of Health:								
Safety Net Primary Care Services	GF-13-34208-00	7/1/12 to 6/30/13	$ 58,200	$ 11,600	$ (34,850)	$ 23,250	$ -	$ -
Safety Net Primary Care Services	GR-14-39327-00	7/1/13to 6/30/14	$ 50,000	-	(10,600)	20,900	-	10,300
Total State Awards				-	(45,450)	44,150	-	10,300
Other Awards:								
Baptist Healing Trust		8/1/12 to 7/31/13	$ 26,500	(372)	(13,250)	13,701	(79)	-
Baptist Healing Trust		7/1/13 to 6/30/14	$ 18,900	-	(9,450)	9,450	-	-
Total Other Awards				(372)	(22,700)	23,151	(79)	-
Total State and Other Awards				$ (372)	$ (68,150)	$ 67,301	$ (79)	$ 10,300

Receivable	$ 10,300
Deferred revenue	-
Total	$ 10,300

See accompanying accountant's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

HOUSHOLDER ARTMAN, PLLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Partners for Healing, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partners for Healing, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partners for Healing, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2013-1 and 2013-2 that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partners for Healing, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Partners for Healing, Inc.'s Response to Findings

Partners for Healing, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Partners for Healing, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of on audit performed in accordance with *Governmental Audit Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinchilder Cutma PLLC

May 31, 2014

PARTNERS FOR HEALING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

FINDING 2013-1:

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Recommendation:

Due to the nature and size of the Organization, it may not be practical or possible to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls such as to review a draft of the financial statements and related disclosures.

Management Response:

We concur with the auditor's finding and recommendation.

FINDING 2013-2

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

1. Recording grant receivables and deferred grant revenue.
2. Recording in kind revenue and expenditures.
3. Recording the change in temporarily restricted net assets for year.
4. Recording prepaid expenses.
5. Correcting depreciation expense.
6. Recording other assets additions and amortization expense.
7. Correcting interest income on the endowment fund.

Recommendation:

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

Management Response:

We will comply.

PARTNERS FOR HEALING, INC.
DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

FINDING 2012-1

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the disclosures required by professional standards.

Due to the nature and size of the Organization, it may not be practical or possible to perform these functions internally. Therefore, management may wish to acknowledge and accept this deficiency or develop compensating controls such as to review a draft of the financial statements and related disclosures.

<u>Current Status:</u>

See finding 2013-1.

FINDING 2012-2

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

1. Recording grant receivables and deferred grant revenue.
2. Recording in kind revenue and expenditures.
3. Recording the change in temporarily restricted net assets for year.
4. Recording prepaid expenses.
5. Recording fixed asset additions and deletions and depreciation expense.
6. Correct interest income on the endowment CD.

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

<u>Current Status:</u>

See Finding 2013-2.