

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
PARTNERS FOR HEALING, INC.

(A NOT-FOR-PROFIT CORPORATION)

December 31, 2018

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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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, 2018, 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, 2018, 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 12, Partners for Healing, Inc. adopted Financial Accounting Standards Board's ASU No. 2016-14 for the year ended December 31, 2018. Accordingly, changes to net asset terminology and certain additional disclosure requirements are reflected in the financial statements.

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 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.

Winnett Associates, PLLC

Shelbyville, Tennessee
May 22, 2019

STATEMENT OF FINANCIAL POSITION**PARTNERS FOR HEALING, INC.****December 31, 2018****ASSETS**

Cash and cash equivalents	\$	102,582
Certificates of deposit		192,715
Grant receivable		9,849
Unconditional promises to give		13,692
Investments		21,820
Prepaid expenses		3,879
Inventory		524,963
Property and equipment - net		144,633
Investments designated for long-term purposes		33,166
TOTAL ASSETS	\$	<u>1,047,299</u>

LIABILITIES

Accounts payable	\$	6,887
Payroll-related liabilities		7,924
TOTAL LIABILITIES		<u>14,811</u>

NET ASSETS

Without donor restrictions	\$	1,001,560
With donor restrictions		<u>30,928</u>
TOTAL NET ASSETS		<u>1,032,488</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,047,299</u>

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

STATEMENT OF ACTIVITIES
PARTNERS FOR HEALING, INC.

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 55,601	\$ 11,848	\$ 67,449
Grants	55,176	16,510	71,686
Gifts-in-kind	1,008,005	-	1,008,005
Special events and other fundraising activities	71,423	-	71,423
Investment income	(104)	-	(104)
Other income	1,182	-	1,182
Net assets released from restrictions:			
Satisfaction of donor restrictions	4,255	(4,255)	-
Expiration of time restrictions	16,171	(16,171)	-
TOTAL SUPPORT AND REVENUE	1,211,709	7,932	1,219,641
EXPENSES:			
Program services	841,447	-	841,447
Supporting services:			
Management and general	93,453	-	93,453
Fund raising	22,808	-	22,808
TOTAL EXPENSES	957,708	-	957,708
CHANGES IN NET ASSETS	254,001	7,932	261,933
NET ASSETS AT BEGINNING OF YEAR	747,559	22,996	770,555
NET ASSETS AT END OF YEAR	\$ 1,001,560	\$ 30,928	\$ 1,032,488

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

STATEMENT OF FUNCTIONAL EXPENSES

PARTNERS FOR HEALING, INC.

Year ended December 31, 2018

	<u>Program Services</u>		<u>Supporting Services</u>	
	Patient Care	Management and General	Fundraising	Total Expenses
Amortization	\$ -	\$ 980	\$ -	\$ 980
Advertising	-	-	6,600	6,600
Cleaning and maintenance	4,273	1,424	-	5,697
Clinic supplies	670,930	-	-	670,930
Contracted medical services	4,228	-	-	4,228
Depreciation	5,236	1,746	-	6,982
Donated medical services	2,939	-	-	2,939
Fundraising	-	-	16,208	16,208
Office expenses	6,603	1,893	-	8,496
Other expenses	5,081	1,362	-	6,443
Patient services	12,413	-	-	12,413
Payroll taxes	8,738	5,046	-	13,784
Professional fees	-	14,345	-	14,345
Property and liability insurance	3,242	1,081	-	4,323
Salaries and wages	110,563	63,452	-	174,015
Telephone and communications	2,800	700	-	3,500
Utilities	3,794	1,264	-	5,058
Workers compensation insurance	481	160	-	641
Other program expenses	126	-	-	126
TOTAL EXPENSES	<u>\$ 841,447</u>	<u>\$ 93,453</u>	<u>\$ 22,808</u>	<u>\$ 957,708</u>

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

STATEMENT OF CASH FLOWS
PARTNERS FOR HEALING, INC.

Year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 261,933
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation and amortization	\$ 7,962	
Change in operating assets and liabilities:		
Grant receivable	6,532	
Unconditional promises to give	15,604	
Inventory	(327,233)	
Prepaid expenses	-	
Accounts payable	2,753	
Payroll-related liabilities	303	
	NET ADJUSTMENTS	(294,079)
	NET CASH USED BY OPERATING ACTIVITIES	(32,146)

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposit	(1,199)	
Other investments	3,182	
Payments for property and equipment	(16,877)	
	NET CASH USED BY INVESTING ACTIVITIES	(14,894)
	NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,040)
	BEGINNING CASH AND CASH EQUIVALENTS	149,622
	ENDING CASH AND CASH EQUIVALENTS	\$ 102,582

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

NOTES TO FINANCIAL STATEMENTS

PARTNERS FOR HEALING, INC.

December 31, 2018

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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All 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 reported at estimated fair value at the time of the donation. Any medications purchased are reported at cost – first-in, first-out method.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2018

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

Allowance for Uncollectible Accounts

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

Investments

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

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value on the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of the individual assets as follows: furnishings and equipment, 5-10 years; buildings, 10-40 years.

Contributed Services

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

The value of in-kind support meeting the requirements for recognition in the financial statements is disclosed in Note 8. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization receives over 500 volunteer hours per year.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2018

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

Compensated Absences

The Executive Director's annual compensation includes paid vacation time which may accumulate if not taken in the year earned. The amount not taken as of December 31st is included in payroll liabilities.

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	\$ 28,358
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, 2018, there were no amounts on deposit in any financial institution that exceeded \$250,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2018

NOTE 4 - PROMISES TO GIVE

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

Amount promised - 2018 event sponsorship	\$ 4,344
Amount promised for 2019	<u>9,348</u>
	<u>\$ 13,692</u>

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, 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	\$ 373,824
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Less those unavailable for general expenditures within one year, due to:

Board designations: Endowment fund, primarily for long-term investing	33,166
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Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 340,658</u>
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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, 2018, \$54,986, 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, 2018:

Interest and dividends, net of expenses of \$518	\$ 679
Realized gain	2,341
Change in unrealized gain/loss	<u>(6,202)</u>
	<u>\$ (3,182)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2018

NOTE 7 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

	<u>Cost</u>			
	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2018</u>
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Building	145,237	16,877	-	162,114
Equipment	65,221	-	3,400	61,821
Software	10,082	-	-	10,082
	<u>\$ 250,540</u>	<u>\$ 16,877</u>	<u>\$ 3,400</u>	<u>\$ 264,017</u>

	<u>Accumulated Depreciation/Amortization</u>			
	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2018</u>
Building	\$ 47,473	\$ 3,779	\$ -	\$ 51,252
Equipment	60,207	3,203	3,400	60,010
Software	7,142	980	-	8,122
	<u>\$ 114,822</u>	<u>\$ 7,962</u>	<u>\$ 3,400</u>	<u>\$ 119,384</u>

Depreciation expense totaled \$6,982 for the year, and amortization was \$980 for the year.

NOTE 8 - IN-KIND REVENUE AND EXPENSES

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

Professional services	\$ 9,784
Medical and other supplies	971,600
Ultrasounds and mammograms	15,847
Advertising	6,600
Other	4,174

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 2018 the amount raised was \$68,602.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING, INC.

December 31, 2018

NOTE 10 - FAIR VALUE MEASUREMENTS

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

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

Contributions receivable	August 15, 2014	\$ 19,350
	Issuances	-
	Settlements	19,350
	December 31, 2018	<u>\$ -</u>

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 2015-2018.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

The Financial Accounting Standards Board's accounting standards update, ASU No. 2016-14, is effective for fiscal years beginning after December 15, 2017. As a result of implementing the requirements of the Statement, the Organization now presents its net assets in two categories—net assets without donor restrictions and net assets with donor restrictions. The Statement also requires that information communicating the availability of an entity's financial assets to meet cash needs for general expenditures within one year be presented in its financial statements.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 22, 2019, 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, 2018

Grantor Agency	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
Tennessee Department of Health: Safety Net Primary Care Services	N/A	\$ 16,381	\$ 56,914	\$ 50,382	\$ 9,849
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 16,381</u>	<u>\$ 56,914</u>	<u>\$ 50,382</u>	<u>\$ 9,849</u>

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, 2018, 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 2018-002.

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 2018-001.

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, 2019

SCHEDULE OF FINDINGS
PARTNERS FOR HEALING, INC.

December 31, 2018

Finding 2018-001

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 2018-002

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

1. Recording receivables
2. Recording in-kind revenue and expenses
3. Recording inventory
4. Recording accrued payroll-related liabilities
5. Recording accounts payable

Recommendation:

Routine adjustments should be made at least annually as part of the year-end closing process.

Management's Response:

We concur. We intend to change from the accrual to a cash basis of accounting for fiscal year 2019.