

PARTNERS FOR HEALING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005

PARTNERS FOR HEALING, INC

TABLE OF CONTENTS

DECEMBER 31, 2005

Page Number

INTRODUCTORY SECTION

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report 1

Statement of Financial Position 2

Statement of Activities 3

Statement of Cash Flows 4

Notes to the Financial Statements 5

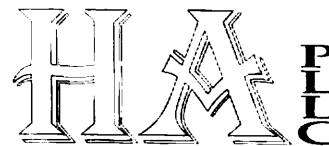
Supplemental Information:

Schedule of Functional Expenses 9

INTERNAL CONTROL AND COMPLIANCE SECTION

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* 10

HOUSHOLDER ARTMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Partners for Healing, Inc. (a nonprofit organization) as of December 31, 2005, 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. 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, Inc. as of December 31, 2005, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 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. 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
March 16, 2007

PARTNERS FOR HEALING, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Cash and cash equivalents	\$ 74,271
Certificates of deposits	275,422
Unconditional promises to give	45,400
Grants receivable	10,375
Property and equipment, net of accumulated depreciation	171,541

TOTAL ASSETS	\$ 577,009
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,943
Accrued liabilities	2,016
Unearned grant proceeds	101,875
Note payable	44,500

TOTAL LIABILITIES	150,334
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NET ASSETS

Unrestricted	348,840
Temporarily restricted	45,400
Permanently restricted	32,435

TOTAL NET ASSETS	426,675
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TOTAL LIABILITIES AND NET ASSETS	\$ 577,009
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The accompanying notes are an integral part of this financial statement.

PARTNERS FOR HEALING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

UNRESTRICTED ASSETS

Unrestricted revenues and support:

Contributions	\$ 60,366
Fundraising income	23,368
Grants and contracts	54,020
Volunteer labor services	72,624
Interest income	6,557
Other income	581

Total revenues and support	217,516
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Net assets released from donor restrictions	18,955
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Expenses

Program services:

Salaries and labor costs	118,972
Building and occupancy expense	12,854
Medical services	13,997

Total program services	145,823
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Supporting services:

Salaries and labor costs	39,153
Building and occupancy expense	7,278
Fundraising expenses	5,797
Other administrative expenses	7,930
Interest expense	2,487

Total supporting services	62,645
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CHANGE IN UNRESTRICTED NET ASSETS	28,003
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TEMPORARILY RESTRICTED ASSETS

Contributions	1,155
Net assets released from donor restrictions	(18,955)

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(17,800)
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PERMANENTLY RESTRICTED ASSETS

CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-
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CHANGE IN NET ASSETS	10,203
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NET ASSETS AT BEGINNING OF YEAR	416,472
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NET ASSETS AT END OF YEAR	\$ 426,675
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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, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 10,203
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,045
Increase in grants receivable	(325)
Decrease in promises to give	16,200
Increase in accounts payable	931
Increase in unearned grant proceeds	101,875
Decrease in accrued liabilities	(3,595)
	<hr/>
Total Adjustments	121,131
	<hr/>
Net cash provided by operating activities	131,334
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CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for certificates of deposit	(116,141)
Cash payments for the purchase of property	(1,495)
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Net cash used by investing activities	(117,636)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of notes payable	-
Principal payments on notes payable	(21,200)
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Net cash used by financing activities	(21,200)
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NET DECREASE IN CASH AND EQUIVALENTS	(7,502)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	81,773
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 74,271
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SUPPLEMENTAL DATA:

Interest paid	\$ 2,535
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The accompanying notes are an integral part of this financial statement.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Partners for Healing, Inc. (the "Organization") began operations in November 2001. 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 County. 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, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 2005 is \$1,080.

NOTE 2 – CASH AND CASH IN CERTIFICATES OF DEPOSIT

The Organization's cash in checking and certificates of deposits totaled \$349,693. The total balance in certificates of deposits was \$275,422, all of which are secured by FDIC insurance.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and Equipment at December 31, 2005 consist of the following:

Land	\$ 30,000
Building	139,497
Equipment	22,842
	<hr/>
	192,339
Less: accumulated depreciation	(20,798)
	<hr/>
	\$ 171,541

Depreciation expense was \$6,045 for the year ended December 31, 2005. The organization's land and building are collateral for notes payable, see Note 9 for further discussion.

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 – DONATED SERVICES

One of the Organization's primary sources of medical care and administrative support is in the form of volunteered services. The fair value of these services received in 2005 has been estimated to be \$72,624, and included in Volunteer Labor Services and in Salaries and Labor Costs-Program services in the Statement of Activities for the year ended December 31, 2005.

NOTE 5 – CONCENTRATION OF RISKS

The Organization has as one of its primary funding sources, a grant 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 6 – NOTE PAYABLE

As of December 31, 2005, the organization had a \$44,500 note payable to bank. The note payable has an interest rate of 4.5% and matures on May 10, 2006. The note is secured by the organization's real estate. Interest expense totaled \$2,487 for the year ended December 31, 2005.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2005:

Building Loan debt retirement	<u>\$ 45,400</u>
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NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2005:

Endowment Funds for operating the clinic	<u>\$ 32,435</u>
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NOTE 9 – GRANTS/CONTRACT FUNDING

The organization received funding through the following grants and contracts for the year ended December 31, 2005.

Funding Source	Grants Receivable	Receipts	Expenditures	Grants Receivable
Tennessee Department of Health	\$ 10,050	\$ (41,425)	\$ 41,750	\$ 10,375
Tennessee Department of Health – Safety Net	-	(75,000)	5,000	(70,000)
Combined Federal Campaign	-	(1,270)	1,270	-
Sanders Foundation	-	(5,000)	5,000	-
Wal-Mart Foundation	-	(1,000)	1,000	-
Blue Cross Blue Shield of Tennessee Foundation	-	(21,875)	-	(21,875)
The Community Foundation	-	(10,000)	-	(10,000)
	<u>\$ 10,050</u>	<u>\$ (155,570)</u>	<u>\$ 54,020</u>	<u>\$ (91,500)</u>

PARTNERS FOR HEALING, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 10 - FUNDRAISING EXPENSES AND REVENUES

The Organization held several fundraising activities, to earn additional funds and increase public awareness of the organization. Fundraising revenues of \$23,368 are included in the total revenues and support section of the Statement of Activities. Fundraising expenses of \$5,797 are included in the supporting services section of the Statement of Activities.

NOTE 11 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2005 are as follows:

Receivable in one year or less	\$ 14,800
Receivable in one to two years	15,300
Receivable in two to three years	<u>15,300</u>
	<u>\$ 45,400</u>

PARTNERS FOR HEALING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Patient Care</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 46,348	\$ 31,457	\$ -	\$ 77,805
Donated volunteer labor	72,624	-	-	72,624
Payroll taxes	-	6,800	-	6,800
Workers comp insurance	-	896	-	896
Contracted medical services	9,936	-	-	9,936
Patient services	1,143	-	-	1,143
Professional fees and dues	-	530	-	530
Supplies	3,111	1,261	-	4,372
Telephone	1,831	1,037	-	2,868
Postage	-	791	-	791
Rent and Utilities	3,771	1,550	-	5,321
Advertising	-	1,080	-	1,080
Depreciation	3,860	2,185	-	6,045
Property insurance	354	3,090	-	3,444
Interest	-	2,487	-	2,487
Cleaning and maintenance	2,845	2,206	-	5,051
Speakers and facilities	-	-	5,797	5,797
Other expenses	-	1,478	-	1,478
Totals	<u>\$ 145,823</u>	<u>\$ 56,848</u>	<u>\$ 5,797</u>	<u>\$ 208,468</u>

See accompanying accountants' report.