

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

**PARTNERS FOR HEALING**

(A NOT-FOR-PROFIT CORPORATION)

December 31, 2016

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Partners for Healing  
Tullahoma, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Partners for Healing (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2016, 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 qualified audit opinion.

### ***Basis for Qualified Opinion***

We did not observe the taking of the physical inventories at December 31, 2015, since that date was prior to the time we were initially engaged as auditors for Partners for Healing. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Partners for Healing as of December 31, 2016, 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 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  
June 6, 2017

# STATEMENT OF FINANCIAL POSITION

## PARTNERS FOR HEALING

December 31, 2016

### ASSETS

Cash and cash equivalents	\$	79,539
Certificates of deposit		273,296
Grant receivable		11,150
Unconditional promises to give		18,070
Inventory		106,401
Prepaid expenses		3,491
Investment in Endowment Fund		51,727
Property and equipment - net		141,648
TOTAL ASSETS	\$	<u>685,322</u>

### LIABILITIES

Accounts payable	\$	1,716
Payroll-related liabilities		5,082
TOTAL LIABILITIES		<u>6,798</u>

### NET ASSETS

Unrestricted	\$	641,629
Temporarily restricted		36,895
Permanently restricted		-
TOTAL NET ASSETS		<u>678,524</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>685,322</u>

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

**STATEMENT OF ACTIVITIES**  
**PARTNERS FOR HEALING**

Year ended December 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 61,510	\$ 9,338	\$ -	\$ 70,848
Grants	33,850	-	-	33,850
Gifts-in-kind	134,658	-	-	134,658
Special events and other fundraising activities	66,806	-	-	66,806
Investment income	4,835	-	-	4,835
Other income	2,349	-	-	2,349
Net assets released from restrictions:				
Satisfaction of donor restrictions	5,000	(5,000)	-	-
Expiration of time restrictions	4,850	(4,850)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>313,858</b>	<b>(512)</b>	<b>-</b>	<b>313,346</b>
<b>EXPENSES:</b>				
Program services	182,499	-	-	182,499
Supporting services:				
Management and general	64,182	-	-	64,182
Fund raising	19,115	-	-	19,115
<b>TOTAL EXPENSES</b>	<b>265,796</b>	<b>-</b>	<b>-</b>	<b>265,796</b>
<b>CHANGES IN NET ASSETS</b>	<b>48,062</b>	<b>(512)</b>	<b>-</b>	<b>47,550</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>593,567</b>	<b>37,407</b>	<b>-</b>	<b>630,974</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 641,629</b>	<b>\$ 36,895</b>	<b>\$ -</b>	<b>\$ 678,524</b>

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

# STATEMENT OF FUNCTIONAL EXPENSES

## PARTNERS FOR HEALING

Year ended December 31, 2016

	Program Services	Supporting Services		Total
	Patient Care	Management and General	Fundraising	Expenses
Amortization	\$ -	\$ 980	\$ -	\$ 980
Advertising	2,104	701	6,350	9,155
Cleaning and maintenance	4,898	1,632	-	6,530
Clinic supplies	14,709	-	-	14,709
Contracted medical services	3,724	-	-	3,724
Depreciation	4,502	1,500	-	6,002
Donated medical services	17,092	-	-	17,092
Fundraising	-	-	12,765	12,765
Office expenses	6,747	2,399	-	9,146
Other expenses	2,440	418	-	2,858
Patient services	1,585	-	-	1,585
Payroll taxes	7,603	2,878	-	10,481
Professional fees and dues	-	13,660	-	13,660
Property and liability insurance	2,775	925	-	3,700
Salaries and wages	107,165	37,162	-	144,327
Telephone and communications	3,103	865	-	3,968
Utilities	3,186	1,062	-	4,248
Workers compensation insurance	866	-	-	866
TOTAL EXPENSES	\$ 182,499	\$ 64,182	\$ 19,115	\$ 265,796

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

# STATEMENT OF CASH FLOWS

## PARTNERS FOR HEALING

Year ended December 31, 2016

### CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$	47,550
Adjustments to reconcile increase in net assets to cash provided by operating activities:			
Depreciation and amortization	\$	6,982	
Change in operating assets and liabilities:			
Grant receivable		(4,475)	
Unconditional promises to give		(3,670)	
Inventory		(92,067)	
Prepaid expenses		(850)	
Accounts payable		1,037	
Payroll-related liabilities		2,249	
	NET ADJUSTMENTS		(90,794)
	NET CASH USED BY OPERATING ACTIVITIES		(43,244)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Investments	(104,509)	
Payments for property and equipment	(12,396)	
	NET CASH USED BY INVESTING ACTIVITIES	(116,905)
	NET DECREASE IN CASH AND CASH EQUIVALENTS	(160,149)
	BEGINNING CASH AND CASH EQUIVALENTS	239,688
	ENDING CASH AND CASH EQUIVALENTS	\$ 79,539

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

## NOTES TO FINANCIAL STATEMENTS

### PARTNERS FOR HEALING

December 31, 2016

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#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

Partners for Healing ("the Organization"), began operations in November 2001 in Tullahoma, Tennessee. The Organization provides free 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 working uninsured individuals living in Coffee, Franklin, and Moore Counties. The Organization is primarily supported by direct solicitations to local citizens, area businesses, and local churches. The Organization also receives grants from the State of Tennessee, foundations, corporations, and other organizations.

##### Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

##### Financial Statement Presentation

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

##### Cash and Cash Equivalents

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### PARTNERS FOR HEALING

December 31, 2016

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

##### Allowance for Uncollectible Accounts

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

##### Investments

The investment in the Endowment fund is reported at fair value as determined by the investment manager on the last business day of the reporting period. Gains or losses in the value of the investment are reported in the statement of activities in the period in which they occur as unrestricted support.

##### Property and Equipment

Property and equipment purchased are stated at cost and donated property and equipment are stated at fair market value on the date contributed, less accumulated depreciation, which is computed by the straight-line method over estimated useful lives of the individual assets as follows: furnishings and equipment, 5-10 years; buildings, 39 years. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

##### Contributed Services

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

The value of in-kind support meeting the requirements for recognition in the financial statements is disclosed in Note 8. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization receives over 700 volunteer hours per year.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING

December 31, 2016

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

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.

Compensated Absences

The Executive Director's annual compensation includes eighty hours of paid vacation time. The amount not taken as of December 31<sup>st</sup> 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

Of the temporarily restricted net assets at December 31, 2016, \$18,413 is funding for succeeding years' operations, \$3,045 is for patient assistance, \$750 is for diabetic test strips, and \$14,687 is related to funds raised through a capital campaign.

NOTE 3 - CASH

The following is a summary of unrestricted cash at December 31, 2016:

	Cash and Cash Equivalents	Certificates of Deposit	Total
Cash for general use	\$ 79,539	\$ 273,296	\$ 352,835

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING

December 31, 2016

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NOTE 4 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

From time to time, the Center has on deposit in financial institutions funds that total in excess of the insured maximum of \$250,000. As of December 31, 2016, this risk amount, based on bank balances, was \$24,321.

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Amount promised for 2016 (received in 2017)	\$ 5,000
Amount promised for 2017	8,520
Amount promised for 2018	<u>5,000</u>
	18,520
Less discount	<u>450</u>
	<u>\$ 18,070</u>

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, 2016, \$51,727, represents the Organization's proportionate share of the net assets of a managed fund. Of that amount, \$33,166 is to be held indefinitely, while the remainder may be withdrawn upon request, in the normal course of business, in accordance with the policies of the fund. Distributions from the Fund shall be established by the Organization's governing board.

The managed fund is authorized to invest in interest bearing deposit accounts, bonds, common or preferred stocks, common trust funds, mutual funds, or other securities, and to hold funds in non-interest bearing deposit accounts pending investment or disbursement thereof. The managed fund consults with an advisory group regarding the investment and monitoring of the fund's assets.

Investment income is comprised of the following for the year ended December 31, 2016:

Interest and dividends, net of expenses of \$498	\$ 3,031
Realized gain	767
Unrealized loss	<u>1,037</u>
	<u>\$ 4,835</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**PARTNERS FOR HEALING**

**December 31, 2016**

**NOTE 7 - PROPERTY AND EQUIPMENT**

Major classifications of property and equipment are as follows:

	Cost			Balance December 31, 2016
	Balance January 1, 2016	Additions	Retirements	
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Building	139,497	5,740	-	145,237
Equipment	57,512	6,657	-	64,169
Software	10,082	-	-	10,082
	<u>\$ 237,091</u>	<u>\$ 12,397</u>	<u>\$ -</u>	<u>\$ 249,488</u>

  

	Accumulated Depreciation/Amortization			Balance December 31, 2016
	Balance January 1, 2015	Additions	Retirements	
Building	\$ 40,497	\$ 3,928	\$ -	\$ 44,425
Equipment	53,219	2,074	-	55,293
Software	7,142	980	-	8,122
	<u>\$ 100,858</u>	<u>\$ 6,982</u>	<u>\$ -</u>	<u>\$ 107,840</u>

Depreciation expense totaled \$6,002 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	\$ 18,095
Medical supplies	103,060
Labs	2,268
Advertising	7,850
Other	3,385

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 2016 the amount raised was \$61,508.

The Organization has as one of its primary funding sources, grants from the Tennessee Department of Health. The Organization could be severely affected if policies in determining grant amounts for organizations such as Partners for Healing are altered.

Additionally, federal and state programs are subject to agency monitoring and retroactive adjustments which may result in paybacks by the Organization. No estimate of any such paybacks can be made at the present time.

NOTES TO FINANCIAL STATEMENTS (Continued)

PARTNERS FOR HEALING

December 31, 2016

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NOTE 10 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that contributions be measured at the fair value of the assets given. The present value of estimated future cash flows using a discount rate of 1.3 per cent is an appropriate measure of fair value of unconditional promises to give cash. Unconditional promises to give that are expected to be paid in less than one year may be measured at net settlement value because that amount, although not equivalent to the present value of estimated future cash flows, results in a reasonable estimate of fair value.

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

Contributions receivable	August 15, 2014	\$ 19,350
	Issuances	-
	Settlements	9,800
	December 31, 2016	<u>\$ 9,550</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 2013-2016.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2017, which is the date the financial statements were available to be issued.

# SCHEDULE OF STATE FINANCIAL ASSISTANCE

## PARTNERS FOR HEALING

Year ended December 31, 2016

Grantor Agency	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
Tennessee Department of Health:					
Safety Net Primary Care Services	GR-16-46545-00	\$ 6,675	\$ 19,150	\$ 12,475	\$ -
Safety Net Primary Care Services	GR-17-51657-00	-	10,225	21,375	11,150
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 6,675</u>	<u>\$ 29,375</u>	<u>\$ 33,850</u>	<u>\$ 11,150</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  
Tullahoma, Tennessee

In planning and performing our audit of the financial statements of Partners for Healing (a not-for-profit-corporation), as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Partners for Healing'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's internal control to be a material weakness – Finding 2015-002.

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's internal control to be a significant deficiency – Finding 2015-001.

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  
June 6, 2017

**SCHEDULE OF FINDINGS**  
**PARTNERS FOR HEALING**

**December 31, 2016**

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Finding 2015-001

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Organization has an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the functions were performed by the auditor as an accommodation to management. The Organization does not currently employ anyone with the skills and training to prepare financial statements and related disclosures in accordance with generally accepted accounting principles.

Additionally, the 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 2015-002

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

1. Recording grant receivable
2. Recording in-kind revenue and expenses
3. Recording prepaid expenses
4. Recording fixed asset additions
5. Recording inventory
6. Recording contribution receivable

Recommendation:

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

Management's Response:

We concur.