

RENEWAL HOUSE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2012 AND 2011

RENEWAL HOUSE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Renewal House, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Renewal House, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Renewal House, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of Renewal House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Bellenfant & Miles, PLLC

November 5, 2012

RENEWAL HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

CURRENT ASSETS	2012	2011
Cash and cash equivalents	\$ 631,273	\$ 365,101
Investments	567,999	565,703
Federal and state awards receivable	185,035	239,345
Other Assets	3,375	13,356
Total Current Assets	1,387,682	1,183,505
PROPERTY AND EQUIPMENT, NET	1,803,314	1,883,437
TOTAL ASSETS	\$ 3,190,996	\$ 3,066,942

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,086	\$ 29,500
Total Current Liabilities	15,086	29,500
NET ASSETS		
Unrestricted		
Undesignated	2,956,145	2,829,213
Designated	211,265	204,536
	3,167,410	3,033,749
Temporarily restricted	8,500	3,693
Total Net Assets	3,175,910	3,037,442
TOTAL LIABILITIES AND NET ASSETS	\$ 3,190,996	\$ 3,066,942

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Federal and state grants	\$ 1,565,247	\$ -	\$ 1,565,247
Contributions	238,556	-	238,556
Rental income	59,501	-	59,501
Special events, less direct benefit costs of \$14,456	69,197	8,500	77,697
Program service fees	4,564	-	4,564
Investment gain, net	20,861	-	20,861
Released from restrictions	3,693	(3,693)	-
	<u>1,961,619</u>	<u>4,807</u>	<u>1,966,426</u>
EXPENSES			
Program services	1,546,188	-	1,546,188
Management and general	155,676	-	155,676
Fundraising	126,094	-	126,094
	<u>1,827,958</u>	<u>-</u>	<u>1,827,958</u>
CHANGE IN NET ASSETS	133,661	4,807	138,468
Net Assets, July 1, 2011	<u>3,033,749</u>	<u>3,693</u>	<u>3,037,442</u>
Net Assets, June 30, 2012	<u>\$ 3,167,410</u>	<u>\$ 8,500</u>	<u>\$ 3,175,910</u>

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Federal and state grants	\$ 1,609,599	\$ -	\$ 1,609,599
Contributions	225,449	2,500	227,949
Rental income	42,989	-	42,989
Special events, less direct benefit costs of \$14,200	51,009	-	51,009
Program service fees	4,788	-	4,788
Investment gain, net	55,624	-	55,624
Released from restrictions	24,475	(24,475)	-
	<u>2,013,933</u>	<u>(21,975)</u>	<u>1,991,958</u>
EXPENSES			
Program services	1,582,860	-	1,582,860
Management and general	131,127	-	131,127
Fundraising	96,574	-	96,574
	<u>1,810,561</u>	<u>-</u>	<u>1,810,561</u>
CHANGE IN NET ASSETS	203,372	(21,975)	181,397
Net Assets, July 1, 2010	<u>2,830,377</u>	<u>25,668</u>	<u>2,856,045</u>
Net Assets, June 30, 2011	<u>\$ 3,033,749</u>	<u>\$ 3,693</u>	<u>\$ 3,037,442</u>

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.**STATEMENTS OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 853,112	\$ 89,887	\$ 95,548	\$ 1,038,547
Employee Benefits	177,439	15,903	20,632	213,974
Occupancy	108,434	20,406	-	128,840
Depreciation	85,671	-	-	85,671
Professional Fees	131,307	6,417	429	138,153
Supplies	58,240	4,107	1,465	63,812
Insurance	44,178	7,524	3,880	55,582
Transportation	29,591	98	-	29,689
Communications	18,942	1,220	432	20,594
Conference, Meetings and Training	10,892	4,882	-	15,774
Miscellaneous	3,518	2,021	3,039	8,578
Printing	4,040	134	-	4,174
Recruiting	2,780	-	32	2,812
Travel	10,977	874	-	11,851
Postage	1,278	255	637	2,170
Fees and Membership	3,010	1,948	-	4,958
Specific Assistance	<u>2,779</u>	<u>-</u>	<u>-</u>	<u>2,779</u>
	<u>\$ 1,546,188</u>	<u>\$ 155,676</u>	<u>\$ 126,094</u>	<u>\$ 1,827,958</u>

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.**STATEMENTS OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 783,231	\$ 83,891	\$ 82,753	\$ 949,875
Employee Benefits	174,235	17,125	9,780	201,140
Occupancy	126,820	7,349	-	134,169
Depreciation	87,147	-	-	87,147
Professional Fees	166,748	1,344	262	168,354
Supplies	55,557	2,913	553	59,023
Insurance	50,999	4,046	2,352	57,397
Transportation	30,271	-	-	30,271
Communications	24,222	379	324	24,925
Conference, Meetings and Training	3,835	1,702	-	5,537
Miscellaneous	451	1,794	-	2,245
Printing	3,819	-	-	3,819
Recruiting	3,220	9,668	-	12,888
Travel	13,665	164	399	14,228
Postage	2,048	-	111	2,159
Fees and Membership	1,560	752	40	2,352
Specific Assistance	<u>55,032</u>	<u>-</u>	<u>-</u>	<u>55,032</u>
	<u>\$ 1,582,860</u>	<u>\$ 131,127</u>	<u>\$ 96,574</u>	<u>\$ 1,810,561</u>

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 138,468	\$ 181,397
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	85,671	87,147
Unrealized and realized (gains) losses on investments	2,736	(37,357)
(Increase) Decrease in:		
Federal, state awards, and grants receivable	54,310	(40,850)
Other assets	9,981	6,956
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>(14,414)</u>	<u>(3,214)</u>
Net Cash Provided by Operating Activities	<u>276,752</u>	<u>194,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	29,510	128,827
Purchase of investments	(34,542)	(218,566)
Purchase of property and equipment	<u>(5,548)</u>	<u>(30,898)</u>
Net Cash Used by Investing Activities	<u>(10,580)</u>	<u>(120,637)</u>
Net Increase in Cash	266,172	73,442
Cash and Cash Equivalents, beginning of the year	<u>365,101</u>	<u>291,659</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 631,273</u></u>	<u><u>\$ 365,101</u></u>

The accompanying notes are an integral part of these financial statements.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities

Renewal House, Inc. ("the Organization") is a recovery community for women and children affected by addiction. The Organization seeks to preserve families by helping mothers live sober, self-sufficient lives, ensuring children a healthy start through early intervention, and providing education and prevention and leadership to create a more drug-free society. In August 2003, the Organization added an Intensive Outpatient Treatment Program, which is licensed by the State of Tennessee and serves addicted women in poverty.

Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets for the years ending June 30, 2012 and 2011, respectively.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Basis of Presentation - continued

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity, when purchased, of three months or less to be cash equivalents.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as an increase in unrestricted net assets. Property and equipment are depreciated over estimated useful lives using the straight-line method. Useful lives range from 3 years for computers to 39 years for building and building improvements.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Investments

The Organization has adopted the provisions the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to the Accounting for Certain Investments for Not-for-Profit Organizations. Under the Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at the fair market values in the statement of financial position. Investment income and unrealized gains and losses are reported as changes in unrestricted net assets unless the use of income has been restricted by the donor.

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 has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments: Cash, cash equivalents, investments, receivables, and payables - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 999,833	\$ 999,833
Building and Improvements	1,050,657	1,050,657
Furniture and Equipment	<u>558,063</u>	<u>552,515</u>
	<u>2,608,553</u>	<u>2,603,005</u>
Less accumulated depreciation	<u>(805,239)</u>	<u>(719,568)</u>
Property and Equipment, net	<u>\$ 1,803,314</u>	<u>\$ 1,883,437</u>

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

3. INVESTMENTS

Investments consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Equities	\$ 218,848	\$ 222,533
Bonds	<u>349,151</u>	<u>343,170</u>
	<u>\$ 567,999</u>	<u>\$ 565,703</u>

The following schedule summarizes total investment return for all investments in the statements of activities for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 23,597	\$ 18,267
Net realized/unrealized gains (losses) on investments	<u>(2,736)</u>	<u>37,357</u>
	<u>\$ 20,861</u>	<u>\$ 55,624</u>

4. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. Excess uninsured balances of the Organization approximated \$20,304 for the year ended June 30, 2012. The Organization has not experienced any losses in such accounts. In management's opinion, the Organization is not exposed to any significant credit risk on cash.

5. CONCENTRATION OF REVENUE

The Organization receives a substantial amount of its revenue from federal and state grants. A significant reduction in the amount received could have an adverse effect on the operations of the Organization.

6. RETIREMENT PLAN

The Organization offers a simple IRA plan that covers eligible employees that choose to participate. The Organization made contributions of \$12,048 and \$8,373 for the years ended June 30, 2012, and 2011, respectively.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

7. NET ASSETS

On June 30, 2000, the Organization's Executive Committee created a separate fund with unrestricted contributions to provide resources for the long-term needs of the Organization. Furthermore, effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organizations investments are to be designated for long-term needs. As of June 30, 2012, and 2011, \$211,265 and \$204,536, respectively, are designated as Endowment Funds for long-term use.

Temporarily restricted net assets include the following contributions as of June 30:

	2012	2011
Suits for Success	\$ -	\$ 1,193
A Women's Thanksgiving	8,500	2,500
	<u>\$ 8,500</u>	<u>\$ 3,693</u>

8. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation days. Employees are not allowed to carryover unused vacation days past June 30 of each year; accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

9. DONATED SERVICES

No amounts have been reflected in the financial statements for donated services as no objective basis is available to measure the value of such services. The Organization pays for most services requiring specific expertise. However, the Organization has many individuals who volunteer their time and perform a variety of tasks.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

10. FAIR VALUE OF INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position.

Fair Value Measurements at June 30, 2012 Using:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 218,848	\$ 218,848	\$ -	\$ -
Government Bonds	59,907	-	59,907	-
Corporate Bonds	289,244	-	289,244	-
	<u>\$ 567,999</u>	<u>\$ 218,848</u>	<u>\$ 349,151</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2011 Using:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 222,532	\$ 214,532	\$ -	\$ 8,000
Government Bonds	79,277	-	79,277	-
Corporate Bonds	263,894	-	263,894	-
	<u>\$ 565,703</u>	<u>\$ 214,532</u>	<u>\$ 343,171</u>	<u>\$ 8,000</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

10. FAIR VALUE OF INVESTMENTS (CONTINUED)

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

	Corporate Stock
Beginning balance	\$ 8,000
Total gains or losses (realized and unrealized) included in the changes of net assets available for benefits	35
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	(8,035)
Ending balance	<u>\$ -</u>

Gains and losses (realized and unrealized) included in changes in net assets for the years ended June 30, 2012 and 2011, are reported in the net appreciation in fair value of investments.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 5, 2012 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2011</u>	<u>Cash Receipts</u>	<u>Expenditures Amount Earned</u>	<u>Receivable June 30, 2012</u>
FEDERAL AWARDS	US Department of Homeland Security passed through:						
	United Way *			\$ -	\$ 4,715	\$ 4,715	\$ -
	US Department of Housing and Urban Development:						
	US Department of Housing and Urban Development	14.235	TN0065B4J040802	13,767	13,767	-	-
	US Department of Housing and Urban Development	14.235	TN0065B4J01003	-	52,163	66,734	14,571
	Total for CFDA No. 14.235			13,767	65,930	66,734	14,571
	Passed through Nashville Metropolitan Development and Housing Agency	14.231	2009-D-AA-04390	21,959	21,959	-	-
	Passed through Nashville Metropolitan Development and Housing Agency	14.231	898MC47004	-	10,000	10,000	-
	Total for CFDA No. 14.231 *			21,959	31,959	10,000	-
	Total for US Department of Housing and Urban Development			35,726	97,889	76,734	14,571
US Department of Health and Human Services passed through:	TN Department of Mental Health and Development Disabilities	93.959	GR-11-32546	12,811	12,811	-	-
	TN Department of Mental Health and Development Disabilities	93.959	GR-11-32546	-	63,695	70,996	7,301
	TN Department of Mental Health and Development Disabilities	93.959	GR-11-32905	24,455	24,455	-	-
	TN Department of Mental Health and Development Disabilities	93.959	GR-12-35898	-	524,225	524,225	-
	Total for CFDA No. 93.959 *			37,266	625,186	595,221	7,301
	TN Department of Human Services	93.558	GR-10-28392-01	23,057	23,057	-	-
	TN Department of Human Services	93.558	GR-10-28392-02	-	89,099	130,000	40,901
	Total for CFDA No. 93.558			23,057	112,156	130,000	40,901
	U.S. Department of Health and Human Services	93.605	90CF002001	110,454	110,454	-	-
	U.S. Department of Health and Human Services	93.605	90CF002003	-	482,450	532,827	50,377
	Total for US Department of Health and Human Services			110,454	592,904	532,827	50,377
	Total Federal Awards			\$ 206,503	\$ 1,432,850	\$ 1,339,497	\$ 113,150

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2011</u>	<u>Cash Receipts</u>	<u>Expenditures Amount Earned</u>	<u>Receivable June 30, 2012</u>
STATE AWARDS							
TN Department of Children's Services	Consulting	N/A	GR-12-35847	\$ -	49,496	63,750	\$ 14,254
TN Department of Children's Services	Operations	N/A	GR-12-35913	-	37,220	68,000	30,780
TN Department of Human Services	Temporary Assistance for Needy Families	N/A	GR-10-28392-02	12,415	60,391	70,000	22,024
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	N/A	GR-12-35906	-	19,173	24,000	4,827
TN Department of Human Services	Disparity	N/A	GR-10-29474	206	206	-	-
TN Department of Children's Services	Consultation and Technical Assistance	N/A	GR-11-32717	14,051	14,051	-	-
TN Department of Children's Services	Needs Assessment	N/A	GR-11-33238	6,170	6,170	-	-
Total State Awards				32,842	186,707	225,750	71,885
Total Federal and State Awards				\$ 239,345	\$ 1,619,557	\$ 1,565,247	\$ 185,035

* Cash grant receipts represent federal pass-through funds

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.

This schedule of expenditures of federal awards includes the federal grant activity of Renewal House, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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
Renewal House, Inc.
Nashville, Tennessee

We have audited the financial statements of Renewal House, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated November 5, 2012. 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.

Internal Control Over Financial Reporting

Management of Renewal House, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Renewal House, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renewal House Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Renewal House, Inc.'s, financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies and pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Bellamy & Miles, PLLC

November 5, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Renewal House, Inc.
Nashville, Tennessee

Compliance

We have audited Renewal House, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Renewal House Inc.'s major federal programs for the year ended June 30, 2012. Renewal House, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Renewal House, Inc.'s management. Our responsibility is to express an opinion on Renewal House Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Renewal House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Renewal House, Inc.'s compliance with those requirements.

In our opinion, Renewal House, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Renewal House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Renewal House, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Renewal House, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant & Miles, PLLC

November 5, 2012

RENEWAL HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x None Reported

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x None Reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any Audit findings disclosed that are required to be
reported in accordance with A-133, Section 510(a)? _____ Yes x No

Identification of major programs:

93.959 Block Grants for Prevention and Treatment of Substance Abuse
93.605 Family Connections Demonstration Project

Dollar threshold used to distinguish between
Type A and Type B programs: _____ \$300,000

Auditee qualified as low-risk auditee? _____ Yes x No

RENEWAL HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

**PART II – FINDINGS AND QUESTIONED COST REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES**

1. There were no findings reported in accordance with generally accepted government auditing standards.

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. There were no findings or questioned costs for federal awards.

RENEWAL HOUSE, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

There were no audit findings for the year ended June 30, 2011.