RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023 AND 2022

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS,
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AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023 AND 2022

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RENEWAL HOUSE, INC. AND AFFILIATE

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of Renewal House, Inc. and Affiliate (a nonprofit organization) (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023, and the changes in their consolidated net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTER

As discussed in Note 3 to the financial statements, the Organization has elected to change its method of accounting for leases during the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

PRIOR PERIOD FINANCIAL STATEMENTS

The consolidated financial statements of the Organization, as of and for the year ended June 30, 2022, were audited by other auditors whose report dated March 9, 2023, expressed an unmodified opinion on those consolidated financial statements.

KraftCPAs PLLC • Certified Public Accountants and Consultants
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RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS *and Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information on pages 26-29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and related notes on pages 30 and 32 is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The schedule of expenditures of state awards and related notes on pages 31 and 32 is required by the *Audit Manual* issued by the Comptroller of the Treasury of the State of Tennessee. The information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on page i but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
January 26, 2024

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,847,972	$ 4,676,188
Investments	2,048,382	1,901,289
Grants receivable	234,473	141,174
Contributions receivable, current	686,270	853,788
Other receivables	27,743	-
Prepaid expenses	59,079	34,175
TOTAL CURRENT ASSETS	6,903,919	7,606,614
Contributions receivable, noncurrent	-	78,638
New markets tax credit intangible assets, net	176,652	215,908
New markets tax credit note receivable	6,708,700	6,708,700
Property and equipment, net	10,059,682	9,215,026
TOTAL ASSETS	$ 23,848,953	$ 23,824,886
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 172,068	$ 130,071
TOTAL CURRENT LIABILITIES	172,068	130,071
Note payable, net	-	2,953,313
New markets tax credit debt, net	8,472,000	8,440,705
TOTAL LIABILITIES	8,644,068	11,524,089
NET ASSETS		
Without donor restrictions		
Undesignated	11,853,607	9,717,744
Designated	1,675,966	1,633,763
Total without donor restrictions	13,529,573	11,351,507
With donor restrictions	1,675,312	949,290
TOTAL NET ASSETS	15,204,885	12,300,797
TOTAL LIABILITIES AND NET ASSETS	$ 23,848,953	$ 23,824,886

See accompanying notes to the consolidated financial statements.

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	$ 777,304	$ 711,000	$ 1,488,304
Federal and state grants	2,517,572	1,000,000	3,517,572
Special events, net of direct costs $69,931	197,745	-	197,745
Nonfinancial contributions	65,000	-	65,000
Rental income	80,700	-	80,700
Managed care income	70,052	-	70,052
Investment gain	102,656	-	102,656
Other income	191,615	-	191,615
Net assets released from restrictions	984,978	(984,978)	-
TOTAL REVENUE AND OTHER SUPPORT	4,987,622	726,022	5,713,644
EXPENSES			
Program services	2,017,803	-	2,017,803
Supporting services			
Management and general	498,562	-	498,562
Fundraising	293,191	-	293,191
Total supporting services	791,753	-	791,753
TOTAL EXPENSES	2,809,556	-	2,809,556
CHANGE IN NET ASSETS	2,178,066	726,022	2,904,088
NET ASSETS - BEGINNING OF YEAR	11,351,507	949,290	12,300,797
NET ASSETS - END OF YEAR	$ 13,529,573	$ 1,675,312	$ 15,204,885

See accompanying notes to the consolidated financial statements.

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	$ 549,191	$ 2,448,876	$ 2,998,067
Federal and state grants	1,374,934	1,000,000	2,374,934
Special events, net of direct costs $50,618	132,464	-	132,464
Nonfinancial contributions	65,000	-	65,000
Rental income	75,066	-	75,066
Managed care income	42,896	-	42,896
Investment loss	(132,831)	-	(132,831)
Other income	6,047	-	6,047
Net assets released from restrictions	2,871,861	(2,871,861)	-
TOTAL REVENUE AND OTHER SUPPORT	4,984,628	577,015	5,561,643
EXPENSES			
Program services	1,427,659	-	1,427,659
Supporting services			
Management and general	313,362	-	313,362
Fundraising	151,284	-	151,284
Total supporting services	464,646	-	464,646
TOTAL EXPENSES	1,892,305	-	1,892,305
CHANGE IN NET ASSETS	3,092,323	577,015	3,669,338
NET ASSETS - BEGINNING OF YEAR	8,259,184	372,275	8,631,459
NET ASSETS - END OF YEAR	$ 11,351,507	$ 949,290	$ 12,300,797

See accompanying notes to the consolidated financial statements.

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 828,638	$ 203,078	$ 168,440	$ 371,518	$ 1,200,156
Benefits and taxes	203,679	39,805	37,170	76,975	280,654
Total salaries and related expenses	1,032,317	242,883	205,610	448,493	1,480,810
Professional fees	14,357	79,793	58,684	138,477	152,834
Interest	125,986	13,896	1,263	15,159	141,145
Marketing and advertising	9,004	411	29,255	29,666	38,670
Maintenance and repairs	112,851	25,288	1,966	27,254	140,105
Client assistance	90,257	-	-	-	90,257
Utilities	77,959	12,077	12,846	24,923	102,882
Program supplies	67,737	-	-	-	67,737
Licensing fees	23,977	-	6,313	6,313	30,290
Insurance	24,086	33,566	3,231	36,797	60,883
Resident transportation	41,612	-	-	-	41,612
Communication	13,235	2,721	1,738	4,459	17,694
Fees and membership	2,120	9,235	50	9,285	11,405
Printing	6,456	417	3,269	3,686	10,142
Maintenance supplies	10,388	1,687	180	1,867	12,255
Office supplies	11,924	2,927	2,281	5,208	17,132
Staff development	5,642	2,742	235	2,977	8,619
Property taxes	33,342	9,093	866	9,959	43,301
Postage	150	1,217	286	1,503	1,653
Travel	904	2,606	94	2,700	3,604
Board activities	-	8,900	-	8,900	8,900
Venue	-	-	30,661	30,661	30,661
Miscellaneous	1,875	2,880	92	2,972	4,847
Amortization	39,256	-	-	-	39,256
Depreciation	272,368	46,223	4,202	50,425	322,793
TOTAL EXPENSES	2,017,803	498,562	363,122	861,684	2,879,487
Less: expenses included with revenues on the statements of activities	-	-	(69,931)	(69,931)	(69,931)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE CONSOLIDATED STATEMENTS OF ACTIVITIES	$ 2,017,803	$ 498,562	$ 293,191	$ 791,753	$ 2,809,556

See accompanying notes to the consolidated financial statements.

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 755,286	$ 127,093	$ 96,773	$ 223,866	$ 979,152
Benefits and taxes	189,607	27,294	23,007	50,301	239,908
Total salaries and related expenses	944,893	154,387	119,780	274,167	1,219,060
Professional fees	21,324	66,073	58,880	124,953	146,277
Interest	32,962	-	-	-	32,962
Marketing and advertising	10,773	12,750	6,098	18,848	29,621
Maintenance and repairs	46,947	-	-	-	46,947
Client assistance	82,124	554	-	554	82,678
Utilities	40,192	15,416	5,608	21,024	61,216
Program supplies	54,062	1,991	77	2,068	56,130
Licensing fees	21,364	1,433	415	1,848	23,212
Insurance	25,136	41,241	3,231	44,472	69,608
Resident transportation	23,178	-	-	-	23,178
Communication	11,893	1,515	1,212	2,727	14,620
Fees and membership	4,127	3,336	536	3,872	7,999
Printing	5,546	418	2,603	3,021	8,567
Maintenance supplies	4,812	990	-	990	5,802
Office supplies	2,835	1,586	28	1,614	4,449
Staff development	5,011	724	2,123	2,847	7,858
Property taxes	-	6,239	-	6,239	6,239
Postage	107	1,796	8	1,804	1,911
Travel	783	452	64	516	1,299
Miscellaneous	924	1,629	1,239	2,868	3,792
Amortization	39,256	-	-	-	39,256
Depreciation	49,410	832	-	832	50,242
TOTAL EXPENSES	1,427,659	313,362	201,902	515,264	1,942,923
Less: expenses included with revenues on the statements of activities	-	-	(50,618)	(50,618)	(50,618)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE CONSOLIDATED STATEMENTS OF ACTIVITIES	$ 1,427,659	$ 313,362	$ 151,284	$ 464,646	$ 1,892,305

See accompanying notes to the consolidated financial statements.

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	$ 2,904,088	$ 3,669,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	-	(3,425,345)
Depreciation and amortization	362,049	89,498
Amortization of debt issuance costs	77,982	32,962
Unrealized and realized (gain) loss on investments	(96,533)	173,314
(Increase) decrease in:		
Grants receivable	(93,299)	(22,210)
Other receivables	(27,743)	-
Contribution receivables	167,518	-
Prepaid expenses	(24,904)	(20,944)
Increase (decrease) in:		
Accounts payable and accrued expenses	41,997	(146,699)
TOTAL ADJUSTMENTS	407,067	(3,319,424)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	3,311,155	349,914
INVESTING ACTIVITIES		
Proceeds from sale of investments	23,034	26,946
Purchase of investments	(73,594)	(67,429)
Purchase of property and equipment	(1,167,449)	(5,315,418)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,218,009)	(5,355,901)
FINANCING ACTIVITIES		
Payment of notes payable	(3,000,000)	(3,000,000)
Proceeds from contributions restricted for long-term purposes	78,638	2,656,515
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,921,362)	(343,485)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(828,216)	(5,349,472)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,676,188	10,025,660
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,847,972	$ 4,676,188
CASH PAID FOR		
Interest	$ 63,163	$ 63,163

See accompanying notes to the consolidated financial statements.

NOTE 1 - NATURE OF ACTIVITIES

Renewal House, Inc., ("Renewal House") is a family-based treatment program and recovery community for women and their children affected by addiction, mental health issues, poverty, homelessness and other forms of trauma. Renewal House provides holistic care in both an outpatient and residential setting, including licensed addiction treatment, mental health services, case management, children's services, extensive wrap-around services and long-term support for each family. Pregnant and postpartum women and their infants receive specialized services tailored to meet their unique needs. Renewal House seeks to preserve families by helping women live sober, self-sufficient lives, and ensuring children have a healthy start through early intervention and prevention services.

Renewal House established Renewed By You, Inc. ("Renewed By You") on December 29, 2020, solely to support the charitable purposes, mission, goals and activities of Renewal House. As such, Renewed By You activities include constructing Renewal House's new residential treatment facility and servicing certain notes payable for the benefit of Renewal House (see Note 11).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Renewal House and Renewed By You (collectively, the "Organization"). The Organization has been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated upon consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Resources are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Presently, net assets designated by the board are held in reserve for future use and capital reserves.

Net Assets With Donor Restrictions - Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions perpetual in nature as of June 30, 2023 and 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Donor-restricted and grantor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Cash and Cash Equivalents

For purposes of the consolidated statements 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.

Grants Receivable

Grants receivable are collectible from local, state, and federal government grantors and generally represent reimbursements for grant-specific expenses. Management considers grants receivable to be fully collectible. Therefore, no allowance has been provided.

Property and Equipment

It is the Organization's policy to capitalize property and equipment purchases over $2,500 at cost. 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 net assets without donor restrictions. Depreciation is computed on the straight-line basis over the estimate useful lives of the various classes of assets.

Investments and Investment Income

Cash included as part of an investment portfolio is classified as investments. Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are recognized currently in the consolidated statements of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs).

An asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Money market funds - Valued at the net asset value of shares held and normally transact at $1.

Exchange-traded funds - Fair values for exchange-traded are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fixed income - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded. These investments also include securities valued on the basis of information provided by pricing services that employ valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

Common stock - Investments in these funds are valued at the closing price reported on the active market on which the individual funds are traded and are classified within Level 1 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2023 and 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Debt Issuance Costs

Debt issuance costs are presented on the consolidated statements of financial position as a direct reduction from the carrying amount of the related note payable. Amounts are amortized on a straight-line basis over the term of the related note payable and included in amortization expense on the consolidated statements of activities. Amortization of loan costs will be $31,295 per year for the years ending 2024 through 2028. Amortization expense related to debt issuance costs totaled $39,256 for both years ended June 30, 2023 and 2022, and is included in interest expense on the consolidated statements of activities. See also Note 11.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services - includes the costs incurred in community with addicted women and their children to foster healing, resiliency and continuing recovery to enhance family health.

Supporting Services

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, investment management and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include creation and distribution of fundraising materials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Salaries and benefits and taxes are allocated based on estimates of time and effort. Maintenance supplies are allocated based on maintenance and repairs. Utilities is allocated based on square footage.

Marketing and Advertising

Marketing and advertising costs are charged to expense as incurred. Marketing and advertising expense totaled $38,670 and $29,621 for the years ended June 30, 2023 and 2022, respectively.

Contributions and Support

Contributions, including unconditional promises to give are recognized as revenues in the period the promise is made. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return assets transferred or a right of release of a promisor's obligation to transfer asset exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome. Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift.

Grants awarded by federal, state and other grantors are generally considered nonreciprocal transactions restricted by grantors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the consolidated statements of financial position.

Contributed services are recognized if they create or enhance nonfinancial assets or the contributed service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed and primarily include professional services.

Special events revenues are generated from sponsorships, donations and sales of items at events held during the year and revenues are recognized when the events occur, which is the completion of the Organization's performance obligation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Renewal House and Renewed By You are qualified as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes. Renewal House and Renewed By You each file an IRS Form 990 annually.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. Such reclassifications had no effect on the net assets or change in net assets as previously reported.

Events Occurring after Report Date

The Organization has evaluated subsequent events and transactions that occurred between June 30, 2023 and January 26, 2024, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their consolidated statements of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the consolidated statements of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of an additional ROU asset and lease liability related to the Organization's operating lease of $6,504,276, at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets. The ROU asset and lease liability is eliminated upon consolidation.

NOTE 4 - REVENUE RECOGNITION

The Organization accounted for revenue under the provisions of ASC 606, Revenue from Contracts with Customers. Under ASC 606, revenue is recognized when the Organization performs services for a customer in an amount that reflects consideration that is expected to be received for those services.

Performance Obligations and Revenue Recognition

A performance obligation is a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when or as, the performance obligation is satisfied. The contract obligation for treatment services reimbursed through certain fee for service grants and managed care income is recognized at the time these services are provided to the customer.

Treatment Services

A portion of the Organization’s revenue is derived by providing services to women and their families under grant agreements. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the service is performed, the performance obligation is considered to have been met. Those transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the service purchased.

Disaggregation of Revenue

See the accompanying consolidated statements of activities.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity available to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statements of financial position comprise the following at June 30:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 3,847,972	$ 4,676,188
Investments	2,048,382	1,901,289
Grants receivable	234,473	141,174
Contributions receivable, current	686,270	853,788
Other receivables	27,743	-
Total financial assets	6,844,840	7,572,439
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to designations	1,675,966	1,633,763
Net assets subject to restrictions	1,675,312	949,290
Total amounts not available to be used for general expenditures within one year:	3,351,278	2,583,053
Financial assets available to meet cash needs for general expenditures within one year	$ 3,493,562	$ 4,989,386

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following as of June 30:

	2023	2022
Receivable in less than one year	$ 686,270	$ 853,788
Receivable in one to five years	-	78,638
Total contributions receivable	$ 686,270	$ 932,426

The Organization had conditional contributions of $0 at June 30, 2023 and $500,000 at June 30 2022.

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 198,208	$ -	$ -	$ 198,208
Exchange-traded funds:				
Domestic index	19,930	-	-	19,930
International	16,020	-	-	16,020
Fixed income	-	1,209,864	-	1,209,864
Common stock:				
Communcation services	45,854	-	-	45,854
Consumer discretionary	30,453	-	-	30,453
Consumer staples	54,905	-	-	54,905
Energy	23,648	-	-	23,648
Financials	88,595	-	-	88,595
Healthcare	122,501	-	-	122,501
Industrial	109,524	-	-	109,524
Information technology	128,880	-	-	128,880
Total investments	$ 838,518	$ 1,209,864	$ -	$ 2,048,382

NOTE 7 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2022			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 187,174	$ -	$ -	$ 187,174
Exchange-traded funds:				
Domestic index	18,482	-	-	18,482
International	16,311	-	-	16,311
Fixed income	-	1,185,361	-	1,185,361
Common stock:				
Communcation services	43,238	-	-	43,238
Consumer discretionary	26,057	-	-	26,057
Consumer staples	54,245	-	-	54,245
Energy	18,018	-	-	18,018
Financials	67,392	-	-	67,392
Healthcare	88,891	-	-	88,891
Industrial	94,547	-	-	94,547
Information technology	101,573	-	-	101,573
Total investments	$ 715,928	$ 1,185,361	$ -	$ 1,901,289

The following schedule summarizes investment income (loss) for the years ended June 30:

	2023	2022
Interest and dividend income	$ 50,635	$ 40,483
Net realized/unrealized gain (loss) gain on investments	96,533	(173,314)
Investment expenses	(44,512)	-
	$ 102,656	$ (132,831)

NOTE 8 - NEW MARKETS TAX CREDIT INTANGIBLE ASSETS

The Organization incurred certain audit fees and asset management fees related to its new markets tax credit ("NMTC") financing in December 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third party administrator in the transaction, who is responsible for ensuring the Organization performs and complies with all aspects of the transaction requirements.

As of June 30, 2023 and 2022, the balances of the NMTC intangible assets and accumulated amortization are as follows:

	2023	2022
Asset management fee reserves	$ 174,792	$ 174,792
Audit fee reserves	100,000	100,000
Total intangible assets	274,792	274,792
Less accumulated amortization	(98,140)	(58,884)
NMTC intangible assets, net	$ 176,652	$ 215,908

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2023	2022
Land	$ 999,833	$ 999,833
Building and improvements	9,441,016	9,166,351
Construction in progress	878,283	-
Furniture and equipment	411,679	397,178
	11,730,811	10,563,362
Less accumulated depreciation	(1,671,129)	(1,348,336)
Property and equipment, net	$ 10,059,682	$ 9,215,026

Construction in-progress consists of costs to construct a learning center and is estimated to be completed during the year ended June 30, 2025 with an estimated cost of approximately $4,000,000.

NOTE 10 - NOTE PAYABLE

During December 2020, Renewal House borrowed $6,000,000 from a financial institution to finance a portion of its investment in the NMTC transaction (see Note 11). The note required monthly interest-only payments at a rate of the prime rate minus 4%, plus principal payments due annually in the amount of capital campaign pledge payments received the prior calendar year. The note was originally scheduled to mature December 28, 2035. On January 27, 2023, Renewal House paid off the note payable.

Balances outstanding at June 30 were as follows:

	2023	2022
Note payable	$ -	$ 3,000,000
Less unamortized debt issuance costs	-	(46,687)
Note payable, net	$ -	$ 2,953,313

NOTE 11 - NEW MARKETS TAX CREDIT AGREEMENT

During December 2020, the Organization entered into a NMTC agreement to assist with the construction of the new residential building and treatment center. All loans originated in the NMTC financing transactions are secured by substantially all assets and revenues of the Organization, whether owned as of the date of the agreement or thereafter.

During December 2020, the Organization entered into two debt agreements to borrow $8,816,250 from PCDC Health Opportunities Fund XXXI LLC. The notes require quarterly interest only payments at 1% per annum until December 2027. Thereafter, quarterly principal and interest payments totaling approximately $107,000 are due until December 2050. Financing fees deferred related to the notes totaled $438,135, with $93,885 and $62,590 amortized during the years ended June 30, 2023 and 2022, respectively. The notes contain certain nonfinancial covenants, one of which requires delivery of the audited financial statements by 150 days after the Organization's fiscal year and another, amongst others, which requires management's representations that the loans will qualify as a "qualified low-income community investment" based on the ongoing activities of the Organization and its continuing mission. For the Organization's year ended June 30, 2023, the Organization did not meet that certain covenant for timely delivery of the audited financial statements and management has received covenant waivers.

The debt is associated with a put option feature under an option agreement between the Organization and USB NMTC Fund 2020-06, LLC ("Investor") that is expected to be exercised in 2027 that will effectively extinguish the liability from the Organization. Under the terms of the option agreement, Investor is expected to put its ownership interest into PCDC Health Opportunities Fund XXXI LLC for $1,000, during the six-month period beginning December 2027. Exercise of this option will effectively extinguish the Organization's outstanding debt owed to PCDC Health Opportunities Fund XXXI LLC. The Organization will recognize income on the forgiveness of debt in an amount approximating the difference in book value of the receivable discussed below and the debt. The receivable and debt will then come off the Organization's books. Renewed By You will then be dissolved, effectively ending the structured financing deal.

Furthermore, the Organization provided a loan of $6,708,700 to PCDC Health Opportunities Fund XXXI LLC. The loan is evidenced by a promissory note receivable from PCDC Health Opportunities Fund XXXI LLC, accruing interest at 0.86% per annum, and requiring quarterly interest only payments until December 2027 at which point the loan will begin to amortize on a straight-line basis through maturity in December 2046.

NOTE 12 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash, investments, contributions and federal and state grants.

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts, and management considers this to be a normal business risk.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

Contributions and federal and state grants consist of individual contributions, corporate contributions, and federal and state grants, which are dispersed to mitigate credit risk. At June 30, 2023 and 2022, the Organization received contributions from three donors, which represented approximately 63% and 67% of contributions, respectively. Contributions receivable from two donors amounted to $620,000 (or 65% of gross receivables) at June 30, 2023. Contributions receivable from two donors amounted to $775,000 (or 83% of gross receivables) at June 30, 2022.

NOTE 13 - DONATED IN-KIND REVENUE

An individual contributes time as a medical professional for the Organization. The Organization valued the contribution based on estimated costs to pay for these services. For the years ended June 30, 2023 and 2022, the Organization received $65,000 of client assistance related to medical services.

NOTE 14 - RETIREMENT PLAN

The Organization offers a simple IRA plan covering eligible employees that choose to participate, matching up to 3% of employee salary. The Organization made contributions of $17,618 and $13,357 for the years ended June 30, 2023 and 2022, respectively.

NOTE 15 - NET ASSETS

Effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organization's undesignated investments are to be designated for long-term needs. Designated net assets related to the investment policy totaled $675,966 and $633,763 at June 30, 2023 and 2022, respectively. In addition, the board-designated capital reserve assets totaled $1,000,000 at both June 30, 2023 and 2022. Designated net assets totaled $1,675,966 and $1,633,763 at June 30, 2023 and 2022, respectively.

Net assets with donor restrictions consist of the following as of June 30:

	2023	2022
Purpose restricted:		
Treatment of women with opioid addiction	$ 85	$ 2,334
Capital campaign	505,837	932,426
Early childhood learning center	981,880	-
Contributions	187,510	14,530
	$ 1,675,312	$ 949,290

NOTE 16 - COMMUNITY FOUNDATION OF MIDDLE TENNESSEE

The Community Foundation of Middle Tennessee (the "Foundation") maintains investments on behalf of the Organization. The Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Organization do not include these investments.

The Organization does anticipate receiving periodic investment earnings on its pro rata share of the Foundation's assets. The balance of the endowment fund held for the benefit of the Organization totals $25,257 and $23,354 at June 30, 2023 and 2022, respectively.

NOTE 17 - RELATED PARTY

The Organization receives contributions and in-kind contributions from various board members and their companies throughout the year. Some professional services are also purchased from board members and companies throughout the course of the year. During 2019, the Organization contracted with an architectural design firm where a board member is employed to design the new building for their campus. The Organization paid $7,020 and $38,368 to this firm during the years ended June 30, 2023 and 2022, respectively.

SUPPLEMENTARY INFORMATION

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2023

	Renewal House, Inc.	Renewed By You, Inc.	Eliminations	Total Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 3,731,346	$ 116,626	$ -	$ 3,847,972
Investments	2,048,382	-	-	2,048,382
Grants receivable	234,473	-	-	234,473
Contributions receivable, current	686,270	-	-	686,270
Other receivables	18,868	8,875	-	27,743
Prepaid expenses	59,079	-	-	59,079
TOTAL CURRENT ASSETS	6,778,418	125,501	-	6,903,919
Due from affiliate	423,436	-	(423,436)	-
New markets tax credit intangible assets, net	-	176,652	-	176,652
New markets tax credit note receivable	6,708,700	-	-	6,708,700
Operating leases, right-of-use assets	6,330,692	-	(6,330,692)	-
Property and equipment, net	1,953,754	8,105,928	-	10,059,682
TOTAL ASSETS	$ 22,195,000	$ 8,408,081	$ (6,754,128)	$ 23,848,953
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 172,068	$ -	$ -	$ 172,068
Operating lease liability, current	75,000	-	(75,000)	-
TOTAL CURRENT LIABILITIES	247,068	-	(75,000)	172,068
Operating lease liability, noncurrent	6,558,192	-	(6,558,192)	-
Due to affiliate	-	423,436	(423,436)	-
New markets tax credit debt, net	-	8,472,000	-	8,472,000
TOTAL LIABILITIES	6,805,260	8,895,436	(7,056,628)	8,644,068
NET ASSETS				
Without donor restrictions				
Undesignated	12,038,462	(487,355)	302,500	11,853,607
Designated	1,675,966	-	-	1,675,966
Total without donor restrictions:	13,714,428	(487,355)	302,500	13,529,573
With donor restrictions	1,675,312	-	-	1,675,312
TOTAL NET ASSETS	15,389,740	(487,355)	302,500	15,204,885
TOTAL LIABILITIES AND NET ASSETS	$ 22,195,000	$ 8,408,081	$ (6,754,128)	$ 23,848,953

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2022

	Renewal House, Inc.	Renewed By You, Inc.	Eliminations	Total Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 4,234,792	$ 441,396	$ -	$ 4,676,188
Investments	1,901,289	-	-	1,901,289
Grants receivable	141,174	-	-	141,174
Contributions receivable, current	853,788	-	-	853,788
Prepaid expenses	34,175	-	-	34,175
TOTAL CURRENT ASSETS	7,165,218	441,396	-	7,606,614
Contributions receivable, noncurrent	78,638	-	-	78,638
Due from affiliate	544,652	-	(544,652)	-
New markets tax credit intangible assets, net	-	215,908	-	215,908
New markets tax credit note receivable	6,708,700	-	-	6,708,700
Property and equipment, net	1,095,484	8,206,579	(87,037)	9,215,026
TOTAL ASSETS	$ 15,592,692	$ 8,863,883	$ (631,689)	$ 23,824,886
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 130,071	$ -	$ -	$ 130,071
TOTAL CURRENT LIABILITIES	$ 130,071	$ -	$ -	$ 130,071
Note payable, net	2,953,313	-	-	2,953,313
Due to affiliate	-	544,652	(544,652)	-
New markets tax credit debt, net	-	8,440,705	-	8,440,705
TOTAL LIABILITIES	3,083,384	8,985,357	(544,652)	11,524,089
NET ASSETS				
Without donor restrictions:				
Undesignated	9,926,255	(121,474)	(87,037)	9,717,744
Designated	1,633,763	-	-	1,633,763
Total without donor restrictions	11,560,018	(121,474)	(87,037)	11,351,507
With donor restrictions	949,290	-	-	949,290
TOTAL NET ASSETS	12,509,308	(121,474)	(87,037)	12,300,797
TOTAL LIABILITIES AND NET ASSETS	$ 15,592,692	$ 8,863,883	$ (631,689)	$ 23,824,886

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Renewal House, Inc.			Renewed By You, Inc.				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Total Consolidated
REVENUE AND OTHER SUPPORT								
Contributions	$ 777,304	$ 711,000	$ 1,488,304	$ -	$ -	$ -	$ -	$ 1,488,304
Federal and state grants	2,517,572	1,000,000	3,517,572	-	-	-	-	3,517,572
Special events, net of direct costs $69,931	197,745	-	197,745	-	-	-	-	197,745
Nonfinancial contributions	65,000	-	65,000	-	-	-	-	65,000
Rental income	80,700	-	80,700	75,000	-	75,000	(75,000)	80,700
Managed care income	70,052	-	70,052	-	-	-	-	70,052
Investment income	102,656	-	102,656	-	-	-	-	102,656
Other income	191,615	-	191,615	-	-	-	-	191,615
Loss on transfer of land	-	-	-	(87,037)	-	(87,037)	87,037	-
Net assets released from restrictions	984,978	(984,978)	-	-	-	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	4,987,622	726,022	5,713,644	(12,037)	-	(12,037)	12,037	5,713,644
EXPENSES								
Program services	2,030,243	-	2,030,243	278,235	-	278,235	(290,675)	2,017,803
Supporting services								
Management and general	435,968	-	435,968	70,144	-	70,144	(7,550)	498,562
Fundraising	367,001	-	367,001	5,465	-	5,465	(79,275)	293,191
Total supporting services	802,969	-	802,969	75,609	-	75,609	(86,825)	791,753
TOTAL EXPENSES	2,833,212	-	2,833,212	353,844	-	353,844	(377,500)	2,809,556
CHANGE IN NET ASSETS	2,154,410	726,022	2,880,432	(365,881)	-	(365,881)	389,537	2,904,088
NET ASSETS - BEGINNING OF YEAR	11,560,018	949,290	12,509,308	(121,474)	-	(121,474)	(87,037)	12,300,797
NET ASSETS - END OF YEAR	$ 13,714,428	$ 1,675,312	$ 15,389,740	$ (487,355)	$ -	$ (487,355)	$ 302,500	$ 15,204,885

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Renewal House, Inc.			Renewed By You, Inc.				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Total Consolidated
REVENUE AND OTHER SUPPORT								
Contributions	$ 549,191	$ 2,448,876	$ 2,998,067	$ -	$ -	$ -	$ -	$ 2,998,067
Federal and state grants	1,374,934	1,000,000	2,374,934	-	-	-	-	2,374,934
Special events, net of direct costs $50,618	132,464	-	132,464	-	-	-	-	132,464
Nonfinancial contributions	65,000	-	65,000	-	-	-	-	65,000
Rental income	75,066	-	75,066	-	-	-	-	75,066
Managed care income	42,896	-	42,896	-	-	-	-	42,896
Investment loss	(132,831)	-	(132,831)	-	-	-	-	(132,831)
Other income	6,047	-	6,047	-	-	-	-	6,047
Net assets released from restrictions	2,871,861	(2,871,861)	-	-	-	-	-	-
TOTAL REVENUE AND OTHER SUPPORT	4,984,628	577,015	5,561,643	-	-	-	-	5,561,643
EXPENSES								
Program services	1,357,108	-	1,357,108	70,551	-	70,551	-	1,427,659
Supporting services								
Management and general	313,362	-	313,362	-	-	-	-	313,362
Fundraising	151,284	-	151,284	-	-	-	-	151,284
Total supporting services	464,646	-	464,646	-	-	-	-	464,646
TOTAL EXPENSES	1,821,754	-	1,821,754	70,551	-	70,551	-	1,892,305
CHANGE IN NET ASSETS	3,162,874	577,015	3,739,889	(70,551)	-	(70,551)	-	3,669,338
NET ASSETS - BEGINNING OF YEAR	8,397,144	372,275	8,769,419	(50,923)	-	(50,923)	(87,037)	8,631,459
NET ASSETS - END OF YEAR	$ 11,560,018	$ 949,290	$ 12,509,308	$ (121,474)	$ -	$ (121,474)	$ (87,037)	$ 12,300,797

RENEWAL HOUSE, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract/grant Number	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable
Direct programs:						
U.S. Department of Homeland Security:						
Emergency Food and Shelter National Board Program	97.024	N/A	$ -	$ 15,000	$ 15,000	$ -
Total Direct Programs			-	15,000	15,000	-
Passed through Tennessee Department of Mental Health and Substance Abuse Services:						
Tennessee Prevention Network	93.959 (1)	74156	18,139	71,859	81,600	27,880
Block Grants for Prevention and Treatment of Substance Abuse	93.959 (1)	78773	45,992	762,800	796,228	79,420
Block Grants for Prevention and Treatment of Substance Abuse	93.959 - COVID-19 (1)	33901	-	90,340	90,340	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959 (1)	74140	-	5,000	5,000	-
TN Coord Response to Pregnant/Postpartum Substance Abuse	93.243	68001	16,849	38,733	21,884	-
Passed through Tennessee Department of Health:						
Maternal Mortality Action Project	93.478	34347	3,962	19,901	15,939	-
Passed through Tennessee Department of Human Services:						
Client Residential Treatment Services	93.558	34530	35,615	459,353	532,805	109,067
Total Federal Awards			$ 120,557	$ 1,462,986	$ 1,558,796	$ 216,367

(1) Denotes a major program

Total Expenditures by Assistance Listing Number:

97.024	$ 15,000
93.959	973,168
93.243	21,884
93.478	15,939
93.558	532,805
	$ 1,558,796

See accompanying notes to schedules of expenditures of federal and state awards.

RENEWAL HOUSE, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

State Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract Number	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable
State Financial Assistance:						
Tennessee General Assembly:						
General Appropriation	N/A	N/A	$ -	$ 1,000,000	$ 1,000,000	$ -
Tennessee Department of Children’s Services:						
Family Preservation and Addiction Recovery	N/A	35910	18,468	137,373	131,750	12,845
Tennessee Department of Mental Health and Substance Abuse Services:						
Creating Homes Initiative 2.0	N/A	73589	-	773,948	773,948	-
Early Intervention and Prevention Program	N/A	66278	2,573	33,561	36,115	5,127
Addictions Recovery Program	N/A	74140	-	15,000	15,000	-
Women’s Recovery Oriented System of Care (WROSC)	N/A	78773	-	1,963	1,963	-
Total State Awards			$ 21,041	$ 1,961,845	$ 1,958,776	$ 17,972

See accompanying notes to schedules of expenditures of federal and state awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

This schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state grant activity of Renewal House, Inc. and Affiliate (the “Organization”) for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the schedule presents only a selected portion of the operations of Renewal House, Inc., it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

The Organization did not expend any federal or state awards during fiscal year 2023 in the form of noncash assistance.

NOTE 3 - SUBRECIPIENTS

The Organization did not have any expenditures to subrecipients during the fiscal year.

NOTE 4 - CONTINGENCIES

These programs are subject to financial and compliance audits by the grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

OTHER REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Renewal House, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 26, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated 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.

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 Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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*.

PURPOSE OF THIS REPORT

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

Kraft CPAs PLLC

Nashville, Tennessee
January 26, 2024

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Renewal House, Inc. and Affiliate’s (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2023. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of 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, 2023.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

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RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
January 26, 2024

RENEWAL HOUSE, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Are any material weaknesses identified?	___ Yes	X No
• Are any significant deficiencies identified?	___ Yes	X None Reported
• Is any noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major programs:		
• Are any material weaknesses identified?	___ Yes	X No
• Are any significant deficiencies identified?	___ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No

Identification of major program(s):

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___ Yes	X No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no audit findings in the current or prior year.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs in the current or prior year.