

RENEWAL HOUSE, INC.
FINANCIAL STATEMENTS
June 30, 2015 and 2014

RENEWAL HOUSE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewal House, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, 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* in considering Renewal House, Inc.'s internal control over financial reporting and compliance.

Froen, Dean & Hand, PLLC

Nashville, Tennessee
October 28, 2015

RENEWAL HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	Assets	2015	2014
Current assets:			
Cash and cash equivalents		\$ 507,690	\$ 503,870
Investments		1,067,845	1,030,180
Other receivables		2,944	3,981
Grants receivable		227,780	189,992
Other assets		3,375	3,375
Prepaid expenses		16,371	20,290
		<hr/>	<hr/>
Total current assets		1,826,005	1,751,688
Property and equipment, net		<hr/> 1,650,628	<hr/> 1,679,685
Total assets		<hr/> <u>\$ 3,476,633</u>	<hr/> <u>\$ 3,431,373</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		<hr/> \$ 40,489	<hr/> \$ 28,162
Total current liabilities		<hr/> 40,489	<hr/> 28,162
Net assets:			
Unrestricted:			
Undesignated		2,540,238	3,027,609
Designated		<hr/> 852,389	<hr/> 339,959
Total unrestricted		3,392,627	3,367,568
Temporarily restricted		<hr/> 43,517	<hr/> 35,643
Total net assets		<hr/> 3,436,144	<hr/> 3,403,211
Total liabilities and net assets		<hr/> <u>\$ 3,476,633</u>	<hr/> <u>\$ 3,431,373</u>

See accompanying notes.

RENEWAL HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state grants	\$ 1,522,495	\$ -	\$ 1,522,495
Contributions	239,683	33,929	273,612
In-kind contributions	106,597	-	106,597
Special events, net of direct costs of \$46,966	57,944	5,000	62,944
Rental income	53,679	-	53,679
Investment income	37,778	-	37,778
Managed care income	13,091	-	13,091
Other income	135	-	135
Net assets released from restrictions	31,055	(31,055)	-
	<u>2,062,457</u>	<u>7,874</u>	<u>2,070,331</u>
Expenses:			
Program services	1,659,633	-	1,659,633
Supporting services:			
Management and general	201,965	-	201,965
Fundraising	175,800	-	175,800
Total supporting services	<u>377,765</u>	<u>-</u>	<u>377,765</u>
Total expenses	<u>2,037,398</u>	<u>-</u>	<u>2,037,398</u>
Change in net assets	25,059	7,874	32,933
Net assets, beginning of year	<u>3,367,568</u>	<u>35,643</u>	<u>3,403,211</u>
Net assets, end of year	<u>\$ 3,392,627</u>	<u>\$ 43,517</u>	<u>\$ 3,436,144</u>

See accompanying notes.

RENEWAL HOUSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state grants	\$ 1,598,244	\$ -	\$ 1,598,244
Contributions	235,290	26,145	261,435
In-kind contributions	100,899	-	100,899
Investment income	88,987	-	88,987
Special events, net of direct costs \$25,299	59,437	6,000	65,437
Rental income	44,092	-	44,092
Managed care income	19,570	-	19,570
Program service fees	5,664	-	5,664
Net assets released from restrictions	76,738	(76,738)	-
	<u>2,228,921</u>	<u>(44,593)</u>	<u>2,184,328</u>
Total revenue and other support			
Expenses:			
Program services	1,825,049	-	1,825,049
Supporting services:			
Management and general	205,252	-	205,252
Fundraising	151,056	-	151,056
Total supporting services	<u>356,308</u>	<u>-</u>	<u>356,308</u>
Total expenses	<u>2,181,357</u>	<u>-</u>	<u>2,181,357</u>
Change in net assets	47,564	(44,593)	2,971
Net assets, beginning of year	<u>3,320,004</u>	<u>80,236</u>	<u>3,400,240</u>
Net assets, end of year	<u><u>\$ 3,367,568</u></u>	<u><u>\$ 35,643</u></u>	<u><u>\$ 3,403,211</u></u>

See accompanying notes.

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Supporting Services				
	Program	Management		Total	Total
	Services	and General	Fundraising	Supporting	Expenses
				Services	
Salaries	\$ 816,238	\$ 87,849	\$ 135,263	\$ 223,112	\$ 1,039,350
Benefits and taxes	227,113	21,676	31,252	52,928	280,041
 Total salaries and related expenses	 1,043,351	 109,525	 166,515	 276,040	 1,319,391
 Professional fees	 206,526	 39,269	 2,602	 41,871	 248,397
Utilities	44,683	9,253	-	9,253	53,936
Maintenance and repairs	48,355	782	-	782	49,137
Program supplies	44,415	536	64	600	45,015
Client assistance	33,229	-	-	-	33,229
Insurance	24,479	6,092	375	6,467	30,946
Resident transportation	22,395	-	-	-	22,395
Fees and membership	15,686	2,724	3,869	6,593	22,279
Maintenance supplies	19,916	98	-	98	20,014
Communication	14,310	2,022	473	2,495	16,805
Office supplies	11,360	4,519	302	4,821	16,181
Travel	13,908	282	669	951	14,859
Miscellaneous	7,678	5,038	413	5,451	13,129
Property taxes	-	6,202	-	6,202	6,202
Occupancy	5,040	-	-	-	5,040
Printing	2,959	1,962	9	1,971	4,930
Furniture and equipment	4,766	-	-	-	4,766
Postage	45	1,730	509	2,239	2,284
 Total expenses before depreciation	 1,563,101	 190,034	 175,800	 365,834	 1,928,935
 Depreciation	 96,532	 11,931	 -	 11,931	 108,463
	<u>\$ 1,659,633</u>	<u>\$ 201,965</u>	<u>\$ 175,800</u>	<u>\$ 377,765</u>	<u>\$ 2,037,398</u>

See accompanying notes.

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	<u>Supporting Services</u>				
	<u>Program</u>	<u>Management</u>		<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Expenses</u>
				<u>Services</u>	
Salaries	\$ 919,352	\$ 91,345	\$ 116,057	\$ 207,402	\$ 1,126,754
Benefits and taxes	240,947	16,950	27,556	44,506	285,453
 Total salaries and related expenses	 1,160,299	 108,295	 143,613	 251,908	 1,412,207
 Professional fees	 274,653	 43,996	 213	 44,209	 318,862
Program supplies	49,556	1,241	165	1,406	50,962
Utilities	42,411	8,202	-	8,202	50,613
Maintenance and repairs	42,072	2,379	-	2,379	44,451
Client assistance	34,120	-	-	-	34,120
Insurance	23,958	5,103	-	5,103	29,061
Resident transportation	25,255	-	-	-	25,255
Travel	16,818	1,057	595	1,652	18,470
Communication	11,902	2,044	324	2,368	14,270
Maintenance supplies	13,667	369	-	369	14,036
Office supplies	8,863	2,739	44	2,783	11,646
Fees and membership	2,676	4,678	3,559	8,237	10,913
Furniture and equipment	9,772	861	-	861	10,633
Miscellaneous	5,084	1,772	1,110	2,882	7,966
Property taxes	-	6,202	-	6,202	6,202
Printing	2,492	2,901	702	3,603	6,095
Occupancy	5,169	-	-	-	5,169
Postage	-	1,448	731	2,179	2,179
 Total expenses before depreciation	 1,728,767	 193,287	 151,056	 344,343	 2,073,110
 Depreciation	 96,282	 11,965	 -	 11,965	 108,247
	<u>\$ 1,825,049</u>	<u>\$ 205,252</u>	<u>\$ 151,056</u>	<u>\$ 356,308</u>	<u>\$ 2,181,357</u>

See accompanying notes.

RENEWAL HOUSE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 32,933	\$ 2,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	108,463	108,247
Unrealized and realized gains on investments	(6,080)	(65,427)
(Increase) decrease in grants receivable	(37,788)	108,087
Decrease in accounts receivable	1,037	2,019
Decrease (increase) in prepaid expenses	3,919	(8,717)
Increase (decrease) in accounts payable and accrued expenses	<u>12,327</u>	<u>(4,439)</u>
Net cash provided by operating activities	<u>114,811</u>	<u>142,741</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	75
Purchase of investments	(31,585)	(307,632)
Purchase of property and equipment	<u>(79,406)</u>	<u>(9,057)</u>
Net cash used in investing activities	<u>(110,991)</u>	<u>(316,614)</u>
Net increase (decrease) in cash and cash equivalents	3,820	(173,873)
Cash and cash equivalents, beginning of year	<u>503,870</u>	<u>677,743</u>
Cash and cash equivalents, end of year	<u><u>\$ 507,690</u></u>	<u><u>\$ 503,870</u></u>

See accompanying notes.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Renewal House, Inc. (the “Organization”) 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. The Organization 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. The Organization 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Resources are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets:

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization’s board.

Designated – Net assets designated by the Organization’s board for particular purposes, presently designated by the board as funds held in reserve for future use and capital reserves.

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.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may 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 as of June 30, 2015 and 2014.

Contributions and Support

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

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

Contributions and Support (Continued)

activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

The Organization also receives grant revenue from various federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Contributed services are reported as contribution revenue and as assets or expense when services would otherwise need to be purchased by the Organization, require specialized skills and are provided by persons with those skills. Such contributions are reported at estimated fair value. Donated professional services, including a physician providing medical supervision, totaled \$69,411 and \$65,000 for the years ended June 30, 2015 and 2014, respectively. Those services were essential to the operating activities of the Organization.

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.

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 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.

Property and Equipment

It is the Organization's policy to capitalize property and equipment purchases over \$2,500. 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.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

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

Use of Estimates

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

Investments and Fair Value Measurements

Investments in money market accounts and equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with unrealized gains and losses recognized currently in the statements of activities.

The Organization has an established process for determining fair value. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's 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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

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

Investments and Fair Value Measurements (Continued)

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based on quoted market prices, where available. If such quoted market prices are not available, fair value is based on internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and valuation adjustments are applied consistently over time. The Organization's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Fair values for investments in common stocks and fixed income securities are valued at the closing price reported on the active market on which the securities are traded.

No changes in the valuation methodologies have been made since July 1, 2013.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows guidance for the financial statement recognition measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

As of June 30, 2015 and 2014, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The Organization files U.S. Federal Form 990 for organizations exempt from income tax. Tax returns are subject to audit by the U.S. Internal Revenue Service for three years following the date of filing. Tax returns for years prior to fiscal year ended June 30, 2012 are closed.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 999,833	\$ 999,833
Building and improvements	1,193,737	1,114,331
Furniture and equipment	<u>574,813</u>	<u>574,813</u>
	2,768,383	2,688,977
Less accumulated depreciation	<u>(1,117,755)</u>	<u>(1,009,292)</u>
Property and equipment, net	<u>\$ 1,650,628</u>	<u>\$ 1,679,685</u>

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market	\$ 61,423	\$ -	\$ -	\$ 61,423
Common stock:				
Healthcare	57,635	-	-	57,635
Information technology	46,144	-	-	46,144
Industrial	46,045	-	-	46,045
Financials	45,116	-	-	45,116
Consumer discretionary	44,702	-	-	44,702
Consumer staples	34,201	-	-	34,201
Energy	24,622	-	-	24,622
International	16,068	-	-	16,068
Small cap	11,788	-	-	11,788
Telecommunications	<u>10,740</u>	<u>-</u>	<u>-</u>	<u>10,740</u>
Total common stock	337,061	-	-	337,061
Fixed income	<u>669,361</u>	<u>-</u>	<u>-</u>	<u>669,361</u>
Total investments	<u>\$ 1,067,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,845</u>

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market	\$ 57,045	\$ -	\$ -	\$ 57,045
Common stock:				
Healthcare	50,312	-	-	50,312
Financials	42,609	-	-	42,609
Industrial	42,370	-	-	42,370
Energy	37,006	-	-	37,006
Information technology	36,473	-	-	36,473
Consumer discretionary	35,046	-	-	35,046
Consumer staples	31,600	-	-	31,600
International	17,275	-	-	17,275
Telecommunications	16,331	-	-	16,331
Small cap	<u>11,209</u>	<u>-</u>	<u>-</u>	<u>11,209</u>
Total common stock	320,231	-	-	320,231
Fixed income	<u>652,904</u>	<u>-</u>	<u>-</u>	<u>652,904</u>
Total investments	<u>\$ 1,030,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,030,180</u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 31,698	\$ 23,560
Net realized/unrealized gains on investments	<u>6,080</u>	<u>65,427</u>
	<u>\$ 37,778</u>	<u>\$ 88,987</u>

NOTE 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 \$0 and \$21,000 for the years ended June 30, 2015 and 2014, respectively. The Organization has not experienced any losses in such accounts. In management's opinion, the Organization is not exposed to any significant credit risk relating to cash and cash equivalent balances.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 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.

NOTE 6 – 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 \$13,225 and \$15,908 for the years ended June 30, 2015 and 2014, respectively.

NOTE 7 – NET ASSETS

Effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organization's investments are to be designated for long-term needs. Designated net assets related to the investment policy totaled \$352,389 and \$339,959 at June 30, 2015 and 2014, respectively. In addition, the board designated \$500,000 during the year ended June 30, 2015 as a capital reserve asset. Designated net assets totaled \$852,389 and \$339,959 at June 30, 2015 and 2014, respectively.

Temporarily restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
A Women's Thanksgiving	\$ 5,000	\$ 6,000
Contributions	<u>38,517</u>	<u>29,643</u>
	<u>\$ 43,517</u>	<u>\$ 35,643</u>

NOTE 8 – 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 \$16,339 and \$16,195 at June 30, 2015 and 2014, respectively.

RENEWAL HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions that occurred between June 30, 2015 and October 28, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receiveable at 6/30/2014	Cash Receipts	Expenditures	Receiveable at 6/30/2015
FEDERAL AWARDS							
U.S. Dept. of Housing and Urban Development	Supportive Housing Program	14.235	TN0065L4J041306	\$ 8,569.00	\$ 8,569.00	\$ -	\$ -
U.S. Dept. of Housing and Urban Development	Supportive Housing Program	14.235	TN0065L4J041407	-	19,235	23,507	4,272
Total for CFDA No. 14.235				8,569	27,804	23,507	4,272
U.S. Dept. of Housing and Urban Development Passed Through: Nashville Metropolitan Development and Housing Agency	Emergency Solutions Grant Program	14.231	N/A	1,324	15,000	13,676	-
Total for U.S. Dept. of Housing and Urban Development				9,893	42,804	37,183	4,272
U.S. Dept. of Health and Human Services	Family Connection Grants	93.605	90CF0039-02	100,095	100,095	-	-
U.S. Dept. of Health and Human Services	Family Connection Grants	93.605	90CF0039-03	-	391,141	526,040	134,899
Total for CFDA No. 93.605*				100,095	491,236	526,040	134,899
U.S. Dept. of Health and Human Services Passed Through: TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-14-38047	10,886	10,886	-	-
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 41158_2014-2015_017	-	41,488	55,997	14,509
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR14-38331	8,655	8,655	-	-
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 41163_2014_2015_010	-	516,017	524,544	8,527
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR14-37964	6,790	6,790	-	-
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 41157_2014_2015_023	-	9,940	10,985	1,045
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-14-30803	1,006	1,006	-	-
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 41161_2014-2015_052	-	10,996	11,996	1,000
Total for CFDA No. 93.959*				27,337	605,778	603,522	25,081
TN Dept. of Human Services	Temporary Assistance for Needy Families	93.558	GR-10-28392-05	7,219	7,219	-	-
TN Dept. of Human Services	Temporary Assistance for Needy Families	93.558	34530-80415	-	58,858	70,000	11,142
Total for CFDA No. 93.558				7,219	66,077	70,000	11,142
Total U.S. Dept. of Health and Human Services				134,651	1,163,091	1,199,562	171,122
Total Federal Awards				\$ 144,544	\$ 1,205,895	\$ 1,236,745	\$ 175,394

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receivable at 6/30/2014	Cash Receipts	Expenditures	Receivable at 6/30/2015
STATE AWARDS							
TN Dept. of Children's Services	Alcohol and Drug Consultation and Technical Assistance	N/A	GR-14-35583	\$ 12,348.00	\$ 12,348.00	\$ -	\$ -
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	GR-14-35582	15,870	15,870	-	-
TN Dept. of Children's Services	Family Preservation and Addiction & Drug Consultation/Technical Assistance	N/A	359105-50053	-	102,747	131,750	29,003
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	GR-10-28392-05	13,408	13,408	-	-
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	34530-80415	-	109,307	130,000	20,693
TN Dept. of Mental Health and Developmental Disabilities	Early Intervention and Prevention Program	N/A	GR-14-37662	3,822	3,822	-	-
TN Dept. of Mental Health and Developmental Disabilities	Early Intervention and Prevention Program	N/A	42074	-	21,310	24,000	2,690
Total State Awards				45,448	278,812	285,750	52,386
Total Federal and State Awards				\$ 189,992	\$ 1,484,707	\$ 1,522,495	\$ 227,780

* Denotes a major program.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule of expenditures of federal and state awards includes the federal and state 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*.

ADDITIONAL INFORMATION



**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 of
Renewal House, Inc.
Nashville, Tennessee

We have audited, 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, the financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Renewal House, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Renewal House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Renewal House Inc.'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 entity's 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 may exist that have not been identified.

Compliance and Other Matters

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

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.

Frasier, Dan + Heidi, PLLC

Nashville, Tennessee
October 28, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

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, 2015. Renewal House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Renewal House, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Renewal House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Renewal House, Inc. 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, 2015.

Report on Internal Control Over Compliance

Management of Renewal House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Renewal House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Frasier, Owen & Hard, PLLC

Nashville, Tennessee

October 28, 2015

RENEWAL HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Renewal House, Inc. which were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Renewal House, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Renewal House, Inc. expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs include:

CFDA Number

93.959

Name of Federal Program or Cluster

Block Grants for Prevention and Treatment of
Substance Abuse

93.605

Family Connection Grants

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Renewal House, Inc. was determined to be a low-risk auditee.

RENEWAL HOUSE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

NONE