RENEWAL HOUSE, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

RENEWAL HOUSE, INC.

TABLE OF CONTENTS

RENEWAL HOUSE, INC.

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

JUNE 30, 2018

Board of Directors

Susan Barber	President
LoLita Toney	Vice President
Patrick Walsh	Treasurer
Dru Bredesen	Secretary
Everett Cowan	Board Member
Nancy Church	Board Member
Elizabeth Gerken	Board Member
Randy Gibson	Board Member
Risa Herzog	Board Member
Sean Kirk	Board Member
Henry Menge	Board Member
Kathy Nelson	Board Member
Linda Norman	Board Member
Kevin Roddey	Board Member
Gail Sims	Board Member
Mary Walker	Board Member
Emily Weiss	Board Member

Executive Staff

Pamela Sessions	Chief Executive Officer

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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 statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of Renewal House, Inc. as of June 30, 2017, were audited by another auditor whose report dated November 8, 2017, expressed an unmodified opinion on those statements.

OTHER MATTERS

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 26, 2018, 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.

Cherry Bekaert LLP

Nashville, Tennessee
November 26, 2018

RENEWAL HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,040,807	$ 846,098
Investments	1,625,605	1,586,523
Grants receivable	132,620	148,622
Other assets	-	357
Prepaid expenses	18,623	23,560
Total Current Assets	2,817,655	2,605,160
Property and equipment, net	1,492,194	1,524,950
Total Assets	$ 4,309,849	$ 4,130,110
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 20,065	$ 33,205
Total Current Liabilities	20,065	33,205
Net Assets:		
Unrestricted:		
Undesignated	2,559,734	2,342,228
Designated	1,536,450	1,523,553
Total unrestricted	4,096,184	3,865,781
Temporarily restricted	193,600	231,124
Total Net Assets	4,289,784	4,096,905
Total Liabilities and Net Assets	$ 4,309,849	$ 4,130,110

RENEWAL HOUSE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Federal and state grants	$ 1,204,031	$ -	$ 1,204,031
Contributions	324,847	157,540	482,387
Special events, net of direct costs $63,165	109,727	-	109,727
In-kind contributions	97,941	-	97,941
Rental income	77,071	-	77,071
Investment income	39,082	-	39,082
Managed care income	34,557	-	34,557
Other income	1,938	-	1,938
Net assets released from restrictions	195,064	(195,064)	-
Total Revenue and Other Support	2,084,258	(37,524)	2,046,734
Expenses:			
Program services	1,124,823	-	1,124,823
Supporting services:			
Management and general	467,570	-	467,570
Fundraising	261,462	-	261,462
Total supporting services	729,032	-	729,032
Total Expenses	1,853,855	-	1,853,855
Change in net assets	230,403	(37,524)	192,879
Net assets, beginning of year	3,865,781	231,124	4,096,905
Net assets, end of year	$ 4,096,184	$ 193,600	$ 4,289,784

RENEWAL HOUSE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Federal and state grants	$ 1,136,558	$ -	$ 1,136,558
Contributions	228,099	262,550	490,649
In-kind contributions	90,807	-	90,807
Investment income	77,899	-	77,899
Rental income	61,694	-	61,694
Special events, net of direct costs $52,012	58,880	-	58,880
Managed care income	39,016	-	39,016
Other income	331	-	331
Net assets released from restrictions	38,722	(38,722)	-
Total revenue and other support	1,732,006	223,828	1,955,834
Expenses:			
Program services	1,170,203	-	1,170,203
Supporting services:			
Management and general	230,504	-	230,504
Fundraising	255,401	-	255,401
Total supporting services	485,905	-	485,905
Total Expenses	1,656,108	-	1,656,108
Change in net assets	75,898	223,828	299,726
Net assets, beginning of year	3,789,883	7,296	3,797,179
Net assets, end of year	$ 3,865,781	$ 231,124	$ 4,096,905

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2018

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 585,418	$ 114,193	$ 167,068	$ 281,261	$ 866,679
Benefits and taxes	145,873	38,379	42,904	81,283	227,156
Total Salaries and Related Expenses	731,291	152,572	209,972	362,544	1,093,835
Professional fees	103,753	113,380	3,023	116,403	220,156
Marketing	4,000	69,170	35,736	104,906	108,906
Maintenance and repairs	87,395	390	-	390	87,785
Utilities	46,867	6,470	1,740	8,210	55,077
Program supplies	34,072	5,266	244	5,510	39,582
Client assistance	24,611	-	-	-	24,611
Employee bonus	15,065	4,554	3,577	8,131	23,196
Licensing fees	19,707	90	2,657	2,747	22,454
Resident transportation	21,703	-	-	-	21,703
Insurance	9,716	-	2,040	2,040	11,756
Office supplies	4,352	5,940	1,367	7,307	11,659
Communication	8,363	6,634	766	7,400	15,763
Maintenance supplies	8,117	1,003	-	1,003	9,120
Staff development	1,522	5,876	30	5,906	7,428
Fees and membership	3,383	3,724	100	3,824	7,207
Printing	898	6,034	-	6,034	6,932
Miscellaneous	-	6,074	-	6,074	6,074
Property taxes	-	4,408	-	4,408	4,408
Travel	8	3,542	40	3,582	3,590
Postage	-	2,252	170	2,422	2,422
Total Expenses Before Depreciation	1,124,823	397,379	261,462	658,841	1,783,664
Depreciation	-	70,191	-	70,191	70,191
	$ 1,124,823	$ 467,570	$ 261,462	$ 729,032	$ 1,853,855

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

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 560,342	$ 101,175	$ 161,395	$ 262,570	$ 822,912
Benefits and taxes	137,046	13,520	37,117	50,637	187,683
Total Salaries and Related Expenses	697,388	114,695	198,512	313,207	1,010,595
Professional fees	105,096	53,365	7,344	60,709	165,805
Maintenance and repairs	84,603	1,294	-	1,294	85,897
Utilities	47,464	5,301	3,215	8,516	55,980
Fees and membership	22,238	4,394	21,897	26,291	48,529
Program supplies	29,884	2,548	92	2,640	32,524
Insurance	19,953	9,029	1,692	10,721	30,674
Client assistance	23,742	-	-	-	23,742
Resident transportation	22,449	-	-	-	22,449
Marketing	-	646	17,900	18,546	18,546
Office supplies	7,443	6,947	41	6,988	14,431
Communication	9,527	1,964	1,123	3,087	12,614
Staff development	6,971	4,942	37	4,979	11,950
Maintenance supplies	6,765	1,398	-	1,398	8,163
Printing	3,812	3,286	870	4,156	7,968
Furniture and equipment	4,662	1,875	-	1,875	6,537
Property taxes	-	6,202	-	6,202	6,202
Miscellaneous	103	1,375	979	2,354	2,457
Postage	55	1,021	1,167	2,188	2,243
Travel	487	636	532	1,168	1,655
Total Expenses Before Depreciation	1,092,642	220,918	255,401	476,319	1,568,961
Depreciation	77,561	9,586	-	9,586	87,147
	$ 1,170,203	$ 230,504	$ 255,401	$ 485,905	$ 1,656,108

RENEWAL HOUSE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 192,879	$ 299,726
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	70,191	87,147
Unrealized and realized loss (gain) on investments	9,354	(35,310)
Decrease in grants receivable	16,002	42,200
Decrease in other receivables	-	416
Decrease (increase) in prepaid expenses and other assets	5,294	(1,363)
Decrease in accounts payable		
and accrued expenses	(13,140)	(7,406)
Net cash provided by operating activities	280,580	385,410
Cash flows from investing activities:		
Proceeds from sale of investments	2,502	-
Purchase of investments	(50,938)	(41,730)
Purchase of property and equipment	(37,435)	(3,662)
Net cash used in investing activities	(85,871)	(45,392)
Net increase in cash and cash equivalents	194,709	340,018
Cash and cash equivalents, beginning of year	846,098	506,080
Cash and cash equivalents, end of year	$ 1,040,807	$ 846,098

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 ("U.S. GAAP"). 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.
>
> *Unrestricted Net Assets - 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, 2018 and 2017.

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 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 $65,000 for the years ended June 30, 2018 and 2017. 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.

Note 1—Nature of activities and significant accounting policies (continued)

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 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 unrestricted net assets. Property and equipment are depreciated over estimated useful lives using the straight-line method. Useful lives range from 3 years for computers to 39 years for building and building improvements.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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 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. U.S. GAAP has 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.

Note 1—Nature of activities and significant accounting policies (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, 2016.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $108,906 and $18,546 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income tax has been made.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Accounting Policies for Future Pronouncements – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decreases in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard will be effective for the fiscal year ending June 30, 2019.

Note 1—Nature of activities and significant accounting policies (continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization has evaluated subsequent events and transactions that occurred between June 30, 2018 and November 26, 2018, 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.

Note 2—Property and equipment

Property and equipment consists of the following at June 30:

	2018	2017
Land	$ 999,833	$ 999,833
Building and improvements	1,272,262	1,234,827
Furniture and equipment	574,813	574,813
	2,846,908	2,809,473
Less accumulated depreciation	(1,354,714)	(1,284,523)
Property and equipment, net	$ 1,492,194	$ 1,524,950

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:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	$ 122,776	$ -	$ -	$ 122,776
Common Stock:				
Industrial	68,459	-	-	68,459
Healthcare	65,097	-	-	65,097
Information technology	73,292	-	-	73,292
Financials	56,025	-	-	56,025
Consumer discretionary	44,518	-	-	44,518
Consumer staples	40,343	-	-	40,343
Energy	24,625	-	-	24,625
International	17,134	-	-	17,134
Domestic index	16,692	-	-	16,692
Telecommunications	10,346	-	-	10,346
Total Common Stock	416,531	-	-	416,531
Fixed income	1,086,298	-	-	1,086,298
Total Investments	$ 1,625,605	$ -	$ -	$ 1,625,605

Note 3—Investments and fair value measurements (continued)

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Money market	$ 230,268	$ -	$ -	$ 230,268
Common Stock:				
Industrial	64,219	-	-	64,219
Healthcare	63,972	-	-	63,972
Information technology	56,123	-	-	56,123
Financials	47,048	-	-	47,048
Consumer discretionary	44,845	-	-	44,845
Consumer staples	39,203	-	-	39,203
Energy	23,767	-	-	23,767
International	16,458	-	-	16,458
Domestic index	14,022	-	-	14,022
Telecommunications	11,029	-	-	11,029
Total Common Stock	380,686	-	-	380,686
Fixed income	975,569	-	-	975,569
Total Investments	$ 1,586,523	$ -	$ -	$ 1,586,523

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

	2018	**2017**
Interest and dividend income	$ 48,436	$ 42,589
Net realized/unrealized (loss) gain on investments	(9,354)	35,310
	$ 39,082	$ 77,899

Note 4—Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. 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.

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 $9,539 and $8,530 for the years ended June 30, 2018 and 2017, respectively.

Note 7—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 $536,450 and $523,553 at June 30, 2018 and 2017, respectively. In addition, the board designated capital reserve assets amounted to $1,000,000 at June 30, 2018 and 2017. Designated net assets totaled $1,536,450 and $1,523,553 at June 30, 2018 and 2017, respectively.

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

	2018	2017
Treatment of women with opioid addictions	$ 3,160	$ 166,662
Capital improvements	50,000	50,000
Contributions	29,190	14,462
Capital campaign	111,250	-
	$ 193,600	$ 231,124

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 $18,890 and $17,670 at June 30, 2018 and 2017, respectively.

Note 9—Subsequent event

In September 2018, the Organization was awarded a $2,645,000 grant from the Department of Health and Human Services Substance Abuse and Mental Health Services Administration for the Renewing Families Project. The grant will be payable to the Organization over the next five year and expires in September 2023.

SUPPLEMENTAL SCHEDULES

RENEWAL HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Expenditures
FEDERAL AWARDS				
U.S. Dept. of Homeland Security	Emergency Food and Shelter National Board Program	97.024	N/A	$ 13,240
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	DGA 53539_2017-2018_016	56,000
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 53383_2017-2018_010_02	751,568
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 55412_2017-2018_046_01	12,383
Total for CFDA No. 93.959				819,951
TN Dept. of Human Services	Temporary Assistance for Needy Families	93.558	34530-80415	69,551
Total U.S. Dept. of Health and Human Services				69,551
Total Federal Awards				902,742
STATE AWARDS				
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	52525	131,078
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	34530-80415	129,221
TN Dept. of Mental Health and Substance Abuse Services	Early Intervention and Prevention Program	N/A	54754	29,000
TN Dept. of Mental Health and Substance Abuse Services	Addictions Recovery Program	N/A	DGA 53381_2017-2018_046	11,990
Total State Awards				301,289
Total Federal and State Awards				$ 1,204,031

See accompanying notes to the schedule of expenditures of federal and state awards.

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. for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* ("CFR") 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 financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Renewal House, Inc. expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—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.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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, 2018, 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 November 26, 2018.

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.

Cherry Bekaert LLP

Nashville, Tennessee
November 26, 2018

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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 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, 2018. 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 federal statues, regulations, and the terms and conditions of its federal awards 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 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"). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
November 26, 2018

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Renewal House, Inc. were prepared in accordance with generally accepted accounting principles.

2. No significant deficiencies relating to the audit of the financial statements are reported in the *Report of Independent Auditor 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 in internal control over major federal programs were disclosed in the *Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.*

5. The auditor's report on compliance for the major federal award programs for Renewal House, Inc. expresses an unmodified opinion on the major program selected.

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	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Renewal House, Inc. was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

RENEWAL HOUSE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

None.