RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

RENEWAL HOUSE, INC. AND AFFILIATE
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RENEWAL HOUSE, INC. AND AFFILIATE
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

JUNE 30, 2021

Board of Directors

Mary Flipse	President
Mary Walker	Vice President
Kathy Nelson	Treasurer
Dru Bredesen	Secretary
Scott Bolenbaugh	Board Member
Emmicia Bracy	Board Member
Yolanda Brooks Robinson	Board Member
Allison Duke	Board Member
Erin Coleman	Board Member
Sandy Francis	Board Member
Randy Gibson	Board Member
Risa Herzog	Board Member
Jennifer Hillen	Board Member
Lela Hollobaugh	Board Member
Sean Kirk	Board Member
Rebecca Klements	Board Member
Ken Leiser	Board Member
Kim Lovell	Board Member
Linda Marzialo	Board Member
Suri Ramanna	Board Member
Lawrence Williams	Board Member

Executive Staff

Pamela Sessions	Chief Executive Officer

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Renewal House, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renewal House, Inc. and Affiliate as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Report on Consolidating Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 19 through 20 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it 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. The consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express and opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of the Center'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 the effectiveness of Renewal House, Inc. and Affiliate'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 Renewal House, Inc. and Affiliate's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
January 26, 2022

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,025,660	$ 2,323,704
Investments	2,034,120	1,763,808
Grants receivable	118,964	86,540
Contributions receivable, current	92,125	143,560
Prepaid expenses	13,231	9,504
Total Current Assets	12,284,100	4,327,116
Contributions receivable	71,471	122,125
New markets tax credit intangible assets, net	255,164	-
New markets tax credit note receivable	6,708,700	-
Property and equipment, net	3,949,850	1,846,686
Total Assets	$ 23,269,285	$ 6,295,927
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 276,770	$ 44,671
Deferred grant revenue	-	240,420
Total Current Liabilities	276,770	285,091
Note payable, net	5,951,646	-
New markets tax credit debt, net	8,409,410	-
Total Liabilities	14,637,826	285,091
Net Assets:		
Without Donor Restrictions:		
Undesignated	6,581,144	3,464,277
Designated	1,678,040	1,582,057
Total Without Donor Restrictions	8,259,184	5,046,334
With Donor Restrictions	372,275	964,502
Total Net Assets	8,631,459	6,010,836
Total Liabilities and Net Assets	$ 23,269,285	$ 6,295,927

RENEWAL HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	$ 271,375	$ 2,333,476	$ 2,604,851
Federal and state grants	1,548,832	-	1,548,832
Special events, net of direct costs $26,226	106,916	-	106,916
In-kind contributions	65,000	-	65,000
Rental income	75,556	-	75,556
Managed care income	39,178	-	39,178
Investment income	270,312	-	270,312
Other income	10,143	-	10,143
Net assets released from restrictions	2,925,703	(2,925,703)	-
Total Revenue and Other Support	5,313,015	(592,227)	4,720,788
Expenses:			
Program services	1,493,072	-	1,493,072
Supporting Services:			
Management and general	326,876	-	326,876
Fundraising	280,217	-	280,217
Total Supporting Services	607,093	-	607,093
Total Expenses	2,100,165	-	2,100,165
Change in net assets	3,212,850	(592,227)	2,620,623
Net assets, beginning of year	5,046,334	964,502	6,010,836
Net assets, end of year	$ 8,259,184	$ 372,275	$ 8,631,459

RENEWAL HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	$ 214,943	$ 1,364,744	$ 1,579,687
Federal and state grants	1,294,163	-	1,294,163
Special events, net of direct costs $56,631	127,761	-	127,761
In-kind contributions	69,710	-	69,710
Rental income	62,268	-	62,268
Managed care income	49,077	-	49,077
Investment income	23,915	-	23,915
Other income	8,111	-	8,111
Net assets released from restrictions	687,110	(687,110)	-
Total Revenue and Other Support	2,537,058	677,634	3,214,692
Expenses:			
Program services	1,351,528	-	1,351,528
Supporting Services:			
Management and general	341,368	-	341,368
Fundraising	282,501	-	282,501
Total Supporting Services	623,869	-	623,869
Total Expenses	1,975,397	-	1,975,397
Change in net assets	561,661	677,634	1,239,295
Net assets, beginning of year	4,484,673	286,868	4,771,541
Net assets, end of year	$ 5,046,334	$ 964,502	$ 6,010,836

RENEWAL HOUSE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 802,943	$ 145,279	$ 165,374	$ 310,653	$ 1,113,596
Benefits and taxes	193,781	27,377	35,423	62,800	256,581
Total Salaries and Related Expenses	996,724	172,656	200,797	373,453	1,370,177
Professional fees	26,557	78,320	20,357	98,677	125,234
Marketing	907	30,416	34,331	64,747	65,654
Maintenance and repairs	62,825	6,485	490	6,975	69,800
Client assistance	82,630	-	-	-	82,630
Utilities	44,537	7,288	7,060	14,348	58,885
Program supplies	32,987	471	144	615	33,602
Licensing fees	21,329	5,940	8,580	14,520	35,849
Insurance	16,657	4,719	3,246	7,965	24,622
Resident transportation	29,004	-	-	-	29,004
Communication	16,016	537	854	1,391	17,407
Fees and membership	11,687	2,838	787	3,625	15,312
Printing	4,597	749	3,354	4,103	8,700
Maintenance supplies	13,134	387	-	387	13,521
Office supplies	6,266	2,328	141	2,469	8,735
Staff development	5,427	473	-	473	5,900
Property taxes	-	5,897	-	5,897	5,897
Postage	200	1,750	-	1,750	1,950
Travel	167	453	76	529	696
Bad debt	3,191	-	-	-	3,191
Miscellaneous	5	3,637	-	3,637	3,642
Furniture and equipment expensed	16,226	-	-	-	16,226
Total Expenses Before Depreciation and Amortization	1,391,073	325,344	280,217	605,561	1,996,634
Amortization	52,590	-	-	-	52,590
Depreciation	49,409	1,532	-	1,532	50,941
	$ 1,493,072	$ 326,876	$ 280,217	$ 607,093	$ 2,100,165

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

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 780,923	$ 135,592	$ 140,780	$ 276,372	$ 1,057,295
Benefits and taxes	187,311	29,378	35,111	64,489	251,800
Total Salaries and Related Expenses	968,234	164,970	175,891	340,861	1,309,095
Professional fees	5,578	124,580	207	124,787	130,365
Marketing	-	168	81,647	81,815	81,815
Maintenance and repairs	72,972	6,401	-	6,401	79,373
Client assistance	76,899	-	-	-	76,899
Utilities	43,230	7,791	4,207	11,998	55,228
Program supplies	41,546	3,935	853	4,788	46,334
Licensing fees	21,236	41	8,004	8,045	29,281
Insurance	20,304	-	3,036	3,036	23,340
Resident transportation	19,965	-	-	-	19,965
Communication	6,989	5,445	479	5,924	12,913
Fees and membership	2,248	9,655	131	9,786	12,034
Printing	3,741	1,884	4,035	5,919	9,660
Maintenance supplies	9,007	894	-	894	9,901
Office supplies	4,178	3,122	331	3,453	7,631
Staff development	2,910	2,844	1,150	3,994	6,904
Property taxes	-	4,408	-	4,408	4,408
Postage	-	1,838	1,861	3,699	3,699
Travel	962	2,187	242	2,429	3,391
Miscellaneous	-	591	427	1,018	1,018
Furniture and equipment expensed	-	614	-	614	614
Total Expenses Before Depreciation	1,299,999	341,368	282,501	623,869	1,923,868
Depreciation	51,529	-	-	-	51,529
	$ 1,351,528	$ 341,368	$ 282,501	$ 623,869	$ 1,975,397

RENEWAL HOUSE, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 2,620,623	$ 1,239,295
Adjustments to reconcile change in net assets		
to net cash flows from operating activities:		
Contributions restricted for long-term purposes	(1,353,117)	(1,125,053)
Depreciation and amortization	103,531	51,529
Bad debt expense	3,191	-
Unrealized and realized (gain) loss on investments	(229,182)	24,069
Changes in operating assets and liabilities:		
Grants receivable	(35,615)	10,010
Prepaid expenses and other assets	(3,727)	(1,184)
Accounts payable and accrued expenses	232,099	24,014
Deferred grant revenue	(240,420)	240,420
Net cash flows from operating activities	1,097,383	463,100
Cash flows from investing activities:		
Proceeds from sale of investments	394,514	12,488
Purchase of investments	(435,644)	(60,472)
Issuance of note receivable	(6,708,700)	-
Acquisition of new markets tax credit intangible assets	(274,792)	-
Purchase of property and equipment	(2,154,105)	(360,998)
Net cash flows from investing activities	(9,178,727)	(408,982)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	6,000,000	-
Proceeds from issuance of new markets tax credit note payable	8,816,250	-
Cash paid for debt issuance costs	(488,156)	-
Proceeds from contributions restricted for long-term purposes	1,455,206	859,368
Net cash flows from investing activities	15,783,300	859,368
Net change in cash and cash equivalents	7,701,956	913,486
Cash and cash equivalents, beginning of year	2,323,704	1,410,218
Cash and cash equivalents, end of year	$ 10,025,660	$ 2,323,704

Note 1—Nature of activities and summary of significant accounting policies

Nature of Activities – Renewal House, Inc, and Affiliate ("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 the Renewed By You, Inc. ("Renewed By You") on December 29, 2020 solely to support the charitable purposes, mission, goals, and activities of Renewal House, its sole member. 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 9).

Principles of Consolidation – The accompanying consolidated financial statements include those 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 ("U.S. GAAP"). All significant inter-entity balances and transactions have been eliminated in consolidation.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. 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, 2021 and 2020.

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

Contributions and Support – Contributions are recognized when received as contributions without restrictions if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions.

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

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 both the years ended June 30, 2021 and 2020. 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 – 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. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred.

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 net assets without donor restrictions. 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 consolidated 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 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.

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

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.

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.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $65,654 and $81,815 for the years ended June 30, 2021 and 2020, respectively.

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

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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 consolidated financial statements.

Change in Accounting Principle – In May 2014, 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. The Organization adopted the provisions of ASU 2014-09 as of July 1, 2020 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of the ASU.

Subsequent Events – The Organization has evaluated subsequent events and transactions that occurred between June 30, 2021 and January 26, 2022, 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 consolidated financial statements.

Note 2—Revenue recognition

As discussed above, on July 1, 2020, the Organization adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach. The Organization determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of July 1, 2020. 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 3—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 statement of financial position comprise the following at June 30:

	2021	2020
Cash and cash equivalents	$ 10,025,660	$ 2,323,704
Investments	2,034,120	1,763,808
Grants receivable	118,964	86,540
Contributions receivable	92,125	143,560
Total financial assets	12,270,869	4,317,612
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to designations	1,678,040	1,582,057
Net assets subject to restrictions	300,804	842,377
Total amounts not available to be used for general expenditures within one year:	1,978,844	2,424,434
Financial assets available to meet cash needs for general expenditures within one year	$ 10,292,025	$ 1,893,178

Note 4—Contributions receivable

The Organization has received contributions for the construction of their new residential treatment building. The discount rate used to determine the present value of pledges receivable was .58% at June 30, 2021.

As stated above, the Organization is in the midst of a capital campaign with plans to construct a new facility. The cost of the facility is approximately $7,500,000. As of June 30, 2021, approximately $2,850,000 has been received as conditional contributions by the Organization but due to conditions not being met at year-end, these contributions have not been included in the consolidated financial statements for the year-ended June 30, 2021.

The following are the future maturities of pledges receivable at June 30, 2021:

Years Ending June 30,	
2022	$ 92,125
2023	41,792
2024	17,500
2025	12,179
	$ 163,596

Note 5—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:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	$ 280,787	$ -	$ -	$ 280,787
Common stock:				
Information technology	120,955	-	-	120,955
Healthcare	90,219	-	-	90,219
Industrial	101,239	-	-	101,239
Financials	63,583	-	-	63,583
Consumer staples	51,925	-	-	51,925
Telecommunications	66,924	-	-	66,924
Consumer discretionary	27,494	-	-	27,494
International	21,913	-	-	21,913
Domestic index	22,596	-	-	22,596
Energy	14,689	-	-	14,689
Total common stock	581,537	-	-	581,537
Fixed income	1,171,796	-	-	1,171,796
Total investments	$ 2,034,120	$ -	$ -	$ 2,034,120

Note 5—Investments and fair value measurements (continued)

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Money market	$ 229,705	$ -	$ -	$ 229,705
Common stock:				
Healthcare	110,732	-	-	110,732
Information technology	68,909	-	-	68,909
Industrial	64,428	-	-	64,428
Telecommunications	42,218	-	-	42,218
Financials	41,051	-	-	41,051
Consumer staples	40,760	-	-	40,760
Energy	21,749	-	-	21,749
International	15,929	-	-	15,929
Domestic index	13,658	-	-	13,658
Consumer discretionary	9,338	-	-	9,338
Total common stock	428,772	-	-	428,772
Fixed income	1,105,331	-	-	1,105,331
Total investments	$ 1,763,808	$ -	$ -	$ 1,763,808

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

	2021	**2020**
Interest and dividend income	$ 41,130	$ 47,984
Net realized/unrealized (loss) gain on investments	229,182	(24,069)
	$ 270,312	$ 23,915

Note 6—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, 2021, the balances of the NMTC intangible assets and accumulated amortization are as follows:

Asset management fee reserves	$ 174,792
Audit fee reserves	100,000
Total intangible assets	274,792
Accumulated NMTC amortization	(19,628)
NMTC intangible assets, net	$ 255,164

Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	2021	2020
Land	$ 999,833	$ 999,833
Building and improvements	1,293,172	1,291,226
Construction in progress	2,557,761	417,483
Furniture and equipment	397,178	385,297
	5,247,944	3,093,839
Less accumulated depreciation	(1,298,094)	(1,247,153)
Property and equipment, net	$ 3,949,850	$ 1,846,686

At June 30, 2021 and 2020, construction in progress costs are for the new residential building and treatment center.

Note 8—Note payable

During December 2020, the Organization borrowed $6,000,000 from a financial institution to finance a portion of its investment in the NMTC transaction (see Note 9). The note requires monthly interest only payments at a rate of prime rate minus 4%, plus principal payments due annually in the amount of capital campaign pledge payments received the prior calendar year, scheduled to mature December 28, 2035.

Note 9—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. The Organization will realize a projected benefit in positive cash flow from federal incentives totaling approximately $757,054 for the NMTC financing transaction. 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 $31,295 amortized during the year ended June 30, 2021. The notes contain certain nonfinancial covenants which require 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.

Note 9—New markets tax credit agreement (continued)

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 .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 10—Deferred grant revenue

The Organization received a Paycheck Protection Program (“PPP”) loan in the amount of $240,420. The PPP loan is granted by the United States Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition.* The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization completed the forgiveness application process upon completion of the applicable 24-week period and reflected the original loan amounts as revenues from government grants on the statement of activities for the year ended June 30, 2021. The Organization received notice of forgiveness from the SBA on July 28, 2021.

Note 11—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 12—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. During the year ended June 30, 2021, the Organization received approximately 67% of contributions from five donors. During the year ended June 20, 2020, the Organization received approximately 31% of contributions from one donor.

Note 13—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 $8,927 and $17,994 for the years ended June 30, 2021 and 2020, respectively.

Note 14—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 $678,040 and $582,057 at June 30, 2021 and 2020, respectively. In addition, the board-designated capital reserve assets totaled $1,000,000 at June 30, 2021 and 2020. Designated net assets totaled $1,678,040 and $1,582,057 at June 30, 2021 and 2020, respectively.

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

	2021	2020
Treatment of women with opioid addictions	$ 158,679	$ 334,091
Capital campaign	-	560,234
Contributions	213,596	60,000
Capital improvements	-	10,177
	$ 372,275	$ 964,502

Note 15—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 $26,507 and $21,553 at June 30, 2021 and 2020, respectively.

Note 16—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 $201,877 and $322,606 to this firm during the years ended June 30, 2021 and 2020, respectively.

Note 17—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

RENEWAL HOUSE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2021

	Renewal House, Inc.	Renewed By You, Inc.	Eliminations	Consolidated Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,170,736	$ 5,854,924	$ -	$ 10,025,660
Investments	2,034,120	-	-	2,034,120
Grants receivable	118,964	-	-	118,964
Contributions receivable, current	401,487	-	(309,362)	92,125
Prepaid expenses	13,231	-	-	13,231
Total Current Assets	6,738,538	5,854,924	(309,362)	12,284,100
Contributions receivable	71,471	-	-	71,471
Investment in Renewed By You, Inc.	340,000	-	(340,000)	-
New markets tax credit intangible assets, net	-	255,164	-	255,164
New markets tax credit note receivable	6,708,700	-	-	6,708,700
Property and equipment, net	1,139,126	2,897,761	(87,037)	3,949,850
Total Assets	$ 14,997,835	$ 9,007,849	$ (736,399)	$ 23,269,285
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	$ 276,770	$ 309,362	$ (309,362)	$ 276,770
Total Current Liabilities	276,770	309,362	(309,362)	276,770
Note payable, net	5,951,646	-	-	5,951,646
New markets tax credit debt, net	-	8,409,410	-	8,409,410
Total Liabilities	6,228,416	8,718,772	(309,362)	14,637,826
Net Assets:				
Without Donor Restrictions:				
Undesignated	6,719,104	289,077	(427,037)	6,581,144
Designated	1,678,040	-	-	1,678,040
Total Without Donor Restrictions	8,397,144	289,077	(427,037)	8,259,184
With Donor Restrictions	372,275	-	-	372,275
Total Net Assets	8,769,419	289,077	(427,037)	8,631,459
Total Liabilities and Net Assets	$ 14,997,835	$ 9,007,849	$ (736,399)	$ 23,269,285

RENEWAL HOUSE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Renewal House, Inc.			Renewed By You, Inc.				
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Eliminations**	**Consolidated Total**
Revenue and Other Support:								
Contributions	$ 271,375	$ 2,333,476	$ 2,604,851	$ -	$ -	$ -	$ -	$ 2,604,851
Federal and state grants	1,548,832	-	1,548,832	-	-	-	-	1,548,832
Special events, net of direct cost $26,226	106,916	-	106,916	-	-	-	-	106,916
In-kind contributions	65,000	-	65,000	-	-	-	-	65,000
Rental income	75,556	-	75,556	-	-	-	-	75,556
Managed care income	39,178	-	39,178	-	-	-	-	39,178
Investment income	270,312	-	270,312	-	-	-	-	270,312
Other income	10,143	-	10,143	-	-	-	-	10,143
Gain on transfer of land	87,037	-	87,037	-	-	-	(87,037)	-
Net assets released from restrictions	2,925,703	(2,925,703)	-	-	-	-	-	-
Total Revenue and Other Support from Operations	5,400,052	(592,227)	4,807,825	-	-	-	(87,037)	4,720,788
Expenses:								
Program services	1,493,072	-	1,493,072	-	-	-	-	1,493,072
Supporting Services:								
Management and general	326,876	-	326,876	-	-	-	-	326,876
Fundraising	229,294	-	229,294	50,923	-	50,923	-	280,217
Total Supporting Services	556,170	-	556,170	50,923	-	50,923	-	607,093
Total Expenses	2,049,242	-	2,049,242	50,923	-	50,923	-	2,100,165
Change in net assets	3,350,810	(592,227)	2,758,583	(50,923)	-	(50,923)	(87,037)	2,620,623
Investment in Renewed By You, Inc.	-	-	-	340,000	-	340,000	(340,000)	-
Net assets, beginning of year	5,046,334	964,502	6,010,836	-	-	-	-	6,010,836
Net assets, end of year	$ 8,397,144	$ 372,275	$ 8,769,419	$ 289,077	$ -	$ 289,077	$ (427,037)	$ 8,631,459

COMPLIANCE INFORMATION

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
Renewal House, Inc. and Affiliate
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 consolidated financial statements of Renewal House, Inc. and Affiliate. (a nonprofit organization) ("Renewal House"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Renewal House's basic financial statements, and have issued our report thereon dated January 26, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Renewal House's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Renewal House's internal control. Accordingly, we do not express an opinion on the effectiveness of the Renewal House'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described below, that we consider to be a material weakness.

Finding 2021-001 – Audit Adjustments

Criteria: An effective system of internal control contemplates that management can properly maintain the books and record all necessary transactions to ensure the consolidated financial statements are not materially misstated.

Condition: During the audit, the independent auditor proposed material adjustments necessary to properly record transactions for the new markets tax credit transaction ("NMTC Transaction").

Effect: Audit adjustments were required to properly record the NMTC Transaction. None of the audit adjustments were related to federal award money.

Cause: Management did not have experience in new markets tax credits.

Recommendation: In the event another NMTC Transaction is consummated, management should consider engaging outside support with experience in new markets tax credits to assist in recording the initial transaction.

Management's Response: Management agrees with the finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Renewal House'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 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*.

Renewal House, Inc. and Affiliate's Response to Findings

Renewal House's response to the findings identified in our audit is described previously. Renewal House's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Center'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 Renewal House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
January 26, 2022