

RENEWAL HOUSE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2011 AND 2010

RENEWAL HOUSE, INC.

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Renewal House, Inc. as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewal House, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011 on our consideration of Renewal House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Bellenfant & Miles, PLLC

December 29, 2011

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RENEWAL HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

CURRENT ASSETS	2011	2010
Cash and cash equivalents	\$ 365,101	\$ 291,659
Investments	565,703	438,606
Federal and state awards receivable	239,345	197,492
Grants receivable	-	1,002
Other	13,356	20,313
Total Current Assets	1,183,505	949,072
PROPERTY AND EQUIPMENT, NET	1,883,437	1,939,687
TOTAL ASSETS	\$ 3,066,942	\$ 2,888,759

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 29,500	\$ 32,714
Total Current Liabilities	29,500	32,714
NET ASSETS		
Unrestricted		
Undesignated	2,829,213	2,644,076
Designated	204,536	186,301
	3,033,749	2,830,377
Temporarily restricted	3,693	25,668
Total Net Assets	3,037,442	2,856,045
TOTAL LIABILITIES AND NET ASSETS	\$ 3,066,942	\$ 2,888,759

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

RENEWAL HOUSE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

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

The accompanying notes are an integral part of these financial statements

RENEWAL HOUSE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Federal and state grants	\$ 1,183,895	\$ -	\$ 1,183,895
Contributions	240,646	17,475	258,121
Rental income	32,373	-	32,373
Special events, less direct benefit costs of \$18,487	44,148	-	44,148
Program service fees	9,300	-	9,300
Investment gain, net	56,046	-	56,046
Released from restrictions	18,500	(18,500)	-
	<u>1,584,908</u>	<u>(1,025)</u>	<u>1,583,883</u>
EXPENSES			
Program services	1,350,325	-	1,350,325
Management and general	149,421	-	149,421
Fundraising	93,384	-	93,384
	<u>1,593,130</u>	<u>-</u>	<u>1,593,130</u>
CHANGE IN NET ASSETS	(8,222)	(1,025)	(9,247)
Net Assets, July 1, 2009	<u>2,838,599</u>	<u>26,693</u>	<u>2,865,292</u>
Net Assets, June 30, 2010	<u><u>\$ 2,830,377</u></u>	<u><u>\$ 25,668</u></u>	<u><u>\$ 2,856,045</u></u>

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

RENEWAL HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

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

The accompanying notes are an integral part of these financial statements

RENEWAL HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 697,482	\$ 108,692	\$ 73,780	\$ 879,954
Employee Benefits	164,749	25,390	17,235	207,374
Occupancy	137,927	9,362	-	147,289
Depreciation	92,712	-	-	92,712
Professional Fees	71,836	841	336	73,013
Supplies	56,304	872	349	57,525
Insurance	50,189	2,298	919	53,406
Transportation	25,570	-	-	25,570
Communications	13,894	596	238	14,728
Conference and Meetings	6,262	307	123	6,692
Miscellaneous	6,174	328	131	6,633
Printing	4,735	216	86	5,037
Recruiting	2,571	123	49	2,743
Travel	11,408	-	-	11,408
Postage	1,267	54	-	1,321
Fees and Membership	2,107	69	28	2,204
Specific Assistance	5,138	273	110	5,521
	<u>\$ 1,350,325</u>	<u>\$ 149,421</u>	<u>\$ 93,384</u>	<u>\$ 1,593,130</u>

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

RENEWAL HOUSE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Change in net assets	\$ 181,397	\$ (9,247)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	87,147	92,712
Unrealized and realized (gains) losses on investments	(37,357)	(29,972)
(Increase) Decrease in:		
Federal, state awards, and grants receivable	(40,850)	(46,915)
Other	6,956	(11,303)
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>(3,214)</u>	<u>13,657</u>
Net Cash Provided by Operating Activities	<u>194,079</u>	<u>8,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	128,827	200,417
Purchase of investments	(218,566)	(159,420)
Purchase of property and equipment	<u>(30,898)</u>	<u>(33,618)</u>
Net Cash Provided (Used) by Investing Activities	<u>(120,637)</u>	<u>7,379</u>
Net Increase in Cash	73,442	16,311
Cash and Cash Equivalents, beginning of the year	<u>291,659</u>	<u>275,348</u>
Cash and Cash Equivalents, end of the year	<u>\$ 365,101</u>	<u>\$ 291,659</u>
Supplemental Information:		
Donated property and equipment	<u>\$ -</u>	<u>\$ 2,583</u>

The accompanying notes are an integral part of these financial statements

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities

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

Basis of Presentation

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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2011, the Organization had no permanently restricted net assets.

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

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

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.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Cash and cash equivalents

The Organization considers all highly liquid investments with an original maturity, when purchased, of three months or less to be cash equivalents.

Property and Equipment

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

Use of Estimates

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

Investments

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

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code.

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

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Fair Values of Financial Instruments

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

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 999,833	\$ 999,833
Building and Improvements	1,050,657	1,050,657
Furniture and Equipment	552,515	521,617
	<u>2,603,005</u>	<u>2,572,107</u>
Less accumulated depreciation	(719,568)	(632,420)
Property and Equipment, net	<u>\$1,883,437</u>	<u>\$1,939,687</u>

3. INVESTMENTS

Investments consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Equities	\$ 222,533	\$ 202,502
Bonds	343,170	236,104
	<u>\$ 565,703</u>	<u>\$ 438,606</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 18,267	\$ 26,074
Net realized/unrealized gains (losses) on investments	<u>37,357</u>	<u>29,972</u>
	<u>\$ 55,624</u>	<u>\$ 56,046</u>

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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 on cash.

5. CONCENTRATION OF REVENUE

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

6. RETIREMENT PLAN

The Organization offers a simple IRA plan that covers eligible employees that choose to participate. The Organization made contributions of \$8,373 and \$8,765 for the years ended June 30, 2011, and 2010, respectively.

7. NET ASSETS

On June 30, 2000, the Organization's Executive Committee created a separate fund with unrestricted contributions to provide resources for the long-term needs of the Organization. Furthermore, effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organization's investments are to be designated for long-term needs. As of June 30, 2011, and 2010, \$204,536 and \$186,301, respectively, are designated as Endowment Funds for long-term use.

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

	<u>2011</u>	<u>2010</u>
Expansion of Vocational Program	\$ -	\$ 15,000
Suits for Success	1,193	1,193
A Women's Thanksgiving	<u>2,500</u>	<u>9,475</u>
	<u>\$ 3,693</u>	<u>\$ 25,668</u>

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 29, 2011 which is the date the financial statements were available to be issued.

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

9. FAIR VALUE OF INVESTMENTS

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

Fair Value Measurements at June 30, 2011 Using:

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

Fair Value Measurements at June 30, 2010 Using:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 202,502	\$ 194,502	\$ -	\$ 8,000
Government Bonds	89,467	-	89,467	-
Corporate Bonds	146,637	-	146,637	-
	<u>\$ 438,606</u>	<u>\$ 194,502</u>	<u>\$ 236,104</u>	<u>\$ 8,000</u>

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

RENEWAL HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

9. FAIR VALUE OF INVESTMENTS (CONTINUED)

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

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

	Corporate Stock	Total
Beginning balance	\$ 8,000	\$ 8,000
Total gains or losses (realized and unrealized) included in the changes of net assets available for benefits	-	-
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	-	-
Ending balance	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Total gains or losses for the year included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date.		<u>\$ -</u>

Gains and losses (realized and unrealized) included in changes in net assets for the years ended June 30, 2011 and 2010, are reported in the net appreciation in fair value of investments.

SUPPLEMENTAL INFORMATION

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2010</u>	<u>Cash Receipts</u>	<u>Expenditures Amount Earned</u>	<u>Receivable June 30, 2011</u>
FEDERAL AWARDS							
US Department of Homeland Security passed through:							
United Way *	Emergency Food and Shelter Program	97.024	28-7652-00-035	\$	\$ 7,881	\$ 7,881	\$
US Department of Housing and Urban Development:							
US Department of Housing and Urban Development	Supportive Housing Program	14.235	TN0065B4J040801	6,606	6,606	-	-
US Department of Housing and Urban Development	Supportive Housing Program	14.235	TN0065B4J040802	49,006	49,006	49,006	49,006
US Department of Housing and Urban Development	Supportive Housing Program	14.235	TN0065B4J0408023			13,767	13,767
Total for CFDA No. 14.235				6,606	55,612	62,773	13,767
Passed through Nashville Metropolitan Development and Housing Agency	Homeless Prevention and Rapid Rehousing	14.231	2009-D-AA-04390	2,043	29,973	49,889	21,959
Passed through Nashville Metropolitan Development and Housing Agency	Emergency Shelter Grants Program	14.231	S98MC47004		9,372	9,372	-
Total for CFDA No. 14.231 *				2,043	39,345	59,261	21,959
Total for US Department of Housing and Urban Development				8,649	94,957	122,034	35,726
US Department of Health and Human Services passed through:							
TN Department of Mental Health and Development Disabilities	Tennessee Prevention Network	93.959	GR-10-28864	15,584	15,584		
TN Department of Mental Health and Development Disabilities	Tennessee Prevention Network	93.959	GR-11-32546		58,185	70,996	12,811
TN Department of Mental Health and Development Disabilities	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-09-216607-00+	71,839	71,839		
TN Department of Mental Health and Development Disabilities	Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-11-32905		499,742	524,197	24,455
Total for CFDA No. 93.959 *				87,423	645,350	595,193	37,266
TN Department of Human Services	Temporary Assistance for Needy Families	93.558	GR-10-28392-01	12,160	12,160		
TN Department of Human Services	Temporary Assistance for Needy Families	93.558	GR-10-28392-02		210,777	233,834	23,057
Total for CFDA No. 93.558				12,160	222,937	233,834	23,057
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	93.958	GR-09-25960-00				
				8,134	8,134	-	-
U.S. Department of Health and Human Services	Family Connections Demonstration Project	93.605	90CF002001	31,692	262,966	341,728	110,454
Total for US Department of Health and Human Services				139,409	1,139,387	1,170,755	170,777
Total Federal Awards				\$ 148,058	\$ 1,242,225	\$ 1,300,670	\$ 206,503

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2010</u>	<u>Cash Receipts</u>	<u>Expenditures Amount Earned</u>	<u>Receivable June 30, 2011</u>
STATE AWARDS							
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	N/A	GR-11-32050	\$	24,000	24,000	\$
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	N/A	GR-10-30088	2,300	2,300		
TN Department of Human Services	Temporary Assistance for Needy Families	N/A	GR-10-28392-01	22,584	22,584		
TN Department of Human Services	Temporary Assistance for Needy Families	N/A	GR-10-28392-02	113,496	113,496	125,911	12,415
TN Department of Human Services	Disparity	N/A	GR-10-29474		28,226	28,432	206
TN Department of Children's Services	Consultation and Technical Assistance	N/A	GR-10-28899-00	11,642	11,642		
TN Department of Children's Services	Consultation and Technical Assistance	N/A	GR-11-32717		48,535	62,586	14,051
TN Department of Children's Services	Needs Assessment	N/A	GR-10-28900-00	12,908	12,908		
TN Department of Children's Services	Needs Assessment	N/A	GR-11-33238		61,830	68,000	6,170
Total State Awards				49,434	325,521	308,929	32,842
Total Federal and State Awards				\$ 197,492	\$ 1,567,746	\$ 1,609,599	\$ 239,345

* Cash grant receipts represent federal pass-through funds
Represents state's portion of grant
+ Represents major program

NOTE 1 - BASIS OF ACCOUNTING

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



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Renewal House, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Renewal House, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Bellenfant & Miles, PLLC

December 29, 2011



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited Renewal House, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Renewal House Inc.'s major federal programs for the year ended June 30, 2011. Renewal House, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Renewal House, Inc.'s management. Our responsibility is to express an opinion on Renewal House Inc.'s compliance based on our audit.

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

In our opinion, Renewal House, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Bellenfant & Miles, PLLC

December 29, 2011

RENEWAL HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to be material weaknesses? ☐ Yes ☒ None Reported

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

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

Identification of major programs:

93.959 Block Grants for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

RENEWAL HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

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

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

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

RENEWAL HOUSE, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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