RENEWAL HOUSE, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

RENEWAL HOUSE, INC.

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

JUNE 30, 2020

Board of Directors

Patrick Walsh	President
Mary Flipse	Vice President
Kathy Nelson	Treasurer
Dru Bredesen	Secretary
Scott Bolenbaugh	Board Member
Allison Duke	Board Member
Sandy Francis	Board Member
Randy Gibson	Board Member
Risa Herzog	Board Member
Lela Hollobaugh	Board Member
Dr. Pam Jones	Board Member
Rebecca Klements	Board Member
Sean Kirk	Board Member
Ken Leiser	Board Member
Kim Lovell	Board Member
Linda Marzialo	Board Member
Mary Walker	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.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Other Information
Our 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.

Emphasis of Matter
As discussed in Note 13, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect support and revenue and have other material, adverse effects on Renewal House, Inc. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Renewal House Inc.'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.'s internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
November 17, 2020

RENEWAL HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,323,704	$ 1,410,218
Investments	1,763,808	1,739,893
Grants receivable	86,540	96,550
Contributions receivable, current	143,560	-
Prepaid expenses	9,504	8,320
Total Current Assets	4,327,116	3,254,981
Contributions receivable	122,125	-
Property and equipment, net	1,846,686	1,537,217
Total Assets	$ 6,295,927	$ 4,792,198
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 44,671	$ 20,657
Deferred grant revenue	240,420	-
Total Current Liabilities	285,091	20,657
Net Assets:		
Without Donor Restrictions:		
Undesignated	3,464,277	2,910,508
Designated	1,582,057	1,574,165
Total Without Donor Restrictions	5,046,334	4,484,673
With donor restrictions	964,502	286,868
Total Net Assets	6,010,836	4,771,541
Total Liabilities and Net Assets	$ 6,295,927	$ 4,792,198

RENEWAL HOUSE, INC.
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.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Federal and state grants	$ 1,187,018	$ -	$ 1,187,018
Contributions	281,753	355,845	637,598
Special events, net of direct costs $40,575	191,161	-	191,161
Investment income	114,288	-	114,288
Rental income	75,353	-	75,353
In-kind contributions	57,615	-	57,615
Managed care income	44,222	-	44,222
Other income	9,604	-	9,604
Net assets released from restrictions	262,577	(262,577)	-
Total Revenue and Other Support	2,223,591	93,268	2,316,859
Expenses:			
Program services	1,213,264	-	1,213,264
Supporting Services:			
Management and general	376,132	-	376,132
Fundraising	245,706	-	245,706
Total Supporting Services	621,838	-	621,838
Total Expenses	1,835,102	-	1,835,102
Change in net assets	388,489	93,268	481,757
Net assets, beginning of year	4,096,184	193,600	4,289,784
Net assets, end of year	$ 4,484,673	$ 286,868	$ 4,771,541

RENEWAL HOUSE, INC.

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	-	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

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

RENEWAL HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 683,394	$ 131,382	$ 158,481	$ 289,863	$ 973,257
Benefits and taxes	151,147	31,078	38,102	69,180	220,327
Total Salaries and Related Expenses	834,541	162,460	196,583	359,043	1,193,584
Professional fees	16,487	104,934	205	105,139	121,626
Maintenance and repairs	68,116	21,742	-	21,742	89,858
Client assistance	61,907	-	-	-	61,907
Utilities	46,835	5,283	1,699	6,982	53,817
Program supplies	34,898	4,693	179	4,872	39,770
Insurance	24,040	12,464	1,957	14,421	38,461
Marketing	-	11,389	20,830	32,219	32,219
Licensing fees	20,265	-	8,614	8,614	28,879
Resident transportation	27,072	-	-	-	27,072
Office supplies	7,370	17,582	875	18,457	25,827
Communication	7,669	6,768	590	7,358	15,027
Printing	268	4,796	7,909	12,705	12,973
Maintenance supplies	9,889	322	-	322	10,211
Staff development	3,111	3,813	3,945	7,758	10,869
Fees and membership	2,550	5,725	1,279	7,004	9,554
Travel	5,953	-	-	-	5,953
Property taxes	-	4,408	-	4,408	4,408
Furniture and equipment	250	2,280	-	2,280	2,530
Postage	-	1,701	2	1,703	1,703
Miscellaneous	-	576	1,039	1,615	1,615
Total Expenses Before Depreciation	1,171,221	370,936	245,706	616,642	1,787,863
Depreciation	42,043	5,196	-	5,196	47,239
	$ 1,213,264	$ 376,132	$ 245,706	$ 621,838	$ 1,835,102

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

RENEWAL HOUSE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,239,295	$ 481,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long term purposes	(1,125,053)	-
Depreciation	51,529	47,239
Unrealized and realized loss (gain) on investments	24,069	(66,180)
Decrease in grants receivable	10,010	36,070
(Increase) decrease in prepaid expenses and other assets	(1,184)	10,303
Increase in accounts payable and accrued expenses	24,014	592
Increase in deferred grant revenue	240,420	-
Net cash provided by operating activities	463,100	509,781
Cash flows from investing activities:		
Proceeds from sale of investments	12,488	2,857
Purchase of investments	(60,472)	(50,965)
Purchase of property and equipment	(360,998)	(92,262)
Net cash used in investing activities	(408,982)	(140,370)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	859,368	-
Net cash used in investing activities	859,368	-
Net increase in cash and cash equivalents	913,486	369,411
Cash and cash equivalents, beginning of year	1,410,218	1,040,807
Cash and cash equivalents, end of year	$ 2,323,704	$ 1,410,218

Note 1—Nature of activities and summary of 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:

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, 2020 and 2019.

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 restriction 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.

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 and $48,750 for the years ended June 30, 2020 and 2019, respectively. Those services were essential to the operating activities of the Organization.

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

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

Functional Allocation of Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. 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 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 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.

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

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 $81,815 and $32,219 for the years ended June 30, 2020 and 2019, 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 ("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 financial statements.

Change in Accounting Principle – In June 2018, FASB issued Accounting Standards Update ("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 Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization's practices for recording contributions.

Accounting Policies for Future Pronouncements – 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. ASU 2014-09 is effective for the Organization for the fiscal year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization has evaluated subsequent events and transactions that occurred between June 30, 2020 and November 17, 2020, 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—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 restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at June 30:

	2020	2019
Cash and cash equivalents	$ 2,323,704	$ 1,410,218
Investments	1,763,808	1,739,893
Grants receivable	86,540	96,550
Contributions receivable	143,560	-
Total financial assets	4,317,612	3,246,661
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to designations	1,582,057	1,574,165
Net assets subject to restrictions	842,377	286,868
Total amounts not available to be used for general expenditures within one year:	2,424,434	1,861,033
Financial assets available to meet cash needs for general expenditures within one year	$ 1,893,178	$ 1,385,628

Note 3—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 0.29% at June 30, 2020. The discount computed to discount pledges receivable at June 30, 2020 was not material to the overall financial statements.

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, 2020, $3,500,000 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 financial statements for the year-ended June 30, 2020. In addition, the Organization is seeking a New Markets Tax Credit for $1,600,000 in fiscal year 2021. At the time of the issuance of this report, the Organization does not have all the funds necessary to complete the building and will be required to obtain financing from a lending institution to complete the building of the facility.

Note 3—Contributions Receivable (continued)

The following are the future maturities of pledges receivable at June 30, 2020:

Years Ending June 30,	
2021	$ 143,560
2022	53,834
2023	32,291
2024	18,500
2025	17,500
	$ 265,685

Note 4—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:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Money market	$ 229,705	$ -	$ -	$ 229,705
Common Stock:				
Information technology	110,732	-	-	110,732
Healthcare	68,909	-	-	68,909
Industrial	64,428	-	-	64,428
Financials	42,218	-	-	42,218
Consumer staples	41,051	-	-	41,051
Telecommunications	40,760	-	-	40,760
Consumer discretionary	21,749	-	-	21,749
International	15,929	-	-	15,929
Domestic index	13,658	-	-	13,658
Energy	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

Note 4—Investments and fair value measurements (continued)

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	$ 175,933	$ -	$ -	$ 175,933
Common Stock:				
Healthcare	84,743	-	-	84,743
Information technology	80,829	-	-	80,829
Industrial	73,627	-	-	73,627
Telecommunications	62,660	-	-	62,660
Financials	56,461	-	-	56,461
Consumer staples	44,696	-	-	44,696
Energy	16,393	-	-	16,393
International	17,097	-	-	17,097
Domestic index	15,656	-	-	15,656
Consumer discretionary	10,613	-	-	10,613
Total common stock	462,775	-	-	462,775
Fixed income	1,101,185	-	-	1,101,185
Total investments	$ 1,739,893	$ -	$ -	$ 1,739,893

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

	2020	2019
Interest and dividend income	$ 47,984	$ 48,108
Net realized/unrealized (loss) gain on investments	(24,069)	66,180
	$ 23,915	$ 114,288

Note 5—Property and equipment

Property and equipment consists of the following at June 30:

	2020	2019
Land	$ 999,833	$ 999,833
Building and improvements	1,291,226	1,286,402
Construction in progress	417,483	64,576
Furniture and equipment	385,297	382,030
	3,093,839	2,732,841
Less accumulated depreciation	(1,247,153)	(1,195,624)
Property and equipment, net	$ 1,846,686	$ 1,537,217

Note 5—Property and equipment (continued)

At June 30, 2020 construction in progress primarily consisted of architect and engineering fees incurred related to the new residential building and treatment center.

Note 6—Deferred grant revenue

The Organization received a Paycheck Protection Program loan (“PPP Loan”) in the amount of $240,420. The PPP loan is granted by the Small Business Administration 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 has deferred recognition of grant revenue for the year ended June 30, 2020 because the conditions for forgiveness have not yet been substantially met; however, the Organization believes it will substantially meet the conditions required for forgiveness in the following year.

Note 7—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 8—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, 2020, the Organization received approximately 31% of contributions from two donors. During the year ended June 20, 2019, the Organization received approximately 42% of contributions from one donor.

Note 9—Retirement plan

The Organization offers a simple IRA plan covering eligible employees that choose to participate, matching up to 3% of employee salary. The Organization made contributions of $17,994 and $11,557 for the years ended June 30, 2020 and 2019, respectively.

Note 10—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 $582,057 and $574,165 at June 30, 2020 and 2019, respectively. In addition, the board-designated capital reserve assets totaled $1,000,000 at June 30, 2020 and 2019. Designated net assets totaled $1,582,057 and $1,574,165 at June 30, 2020 and 2019, respectively.

Note 10—Net assets (continued)

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

	2020	2019
Treatment of women with opioid addictions	$ 334,091	$ 226,617
Capital campaign	560,234	30,166
Contributions	60,000	30,085
Capital improvements	10,177	-
	$ 964,502	$ 286,868

Note 11—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 $21,553 and $21,004 at June 30, 2020 and 2019, respectively.

Note 12—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 $322,606 and $64,576 to this firm during the year ended June 30, 2020 and 2019, respectively.

Note 13—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.

SUPPLEMENTAL SCHEDULES

RENEWAL HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

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	$ 18,931
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	62140	52,804
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	62137	718,175
Total for CFDA No. 93.959				770,979
TN Dept. of Mental Health and Substance Abuse Services	TN Coord Response to Pregnant/Postpartum Substance Abuse	93.243	61098	26,062
TN Dept. of Mental Health and Substance Abuse Services	TN Coord Response to Pregnant/Postpartum Substance Abuse	93.243	64178	101,631
Total for CFDA No. 93.243				127,693
TN Dept. of Human Services	Temporary Assistance for Needy Families	93.558	62195	65,760
Total U.S. Dept. of Health and Human Services				964,432
Total Federal Awards				983,363
STATE AWARDS				
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	52525	131,612
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	62195	133,513
TN Dept. of Mental Health and Substance Abuse Services	Early Intervention and Prevention Program	N/A	62851	33,679
TN Dept. of Mental Health and Substance Abuse Services	Access to Recovery	N/A	62133	11,996
Total State Awards				310,800
Total Federal and State Awards				$ 1,294,163

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. (the "Organization") for the year ended June 30, 2020. The information in the 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 this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

The Organization did not expend any federal or state awards during fiscal year 2020 in the form of noncash assistance.

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
Renewal House, Inc.
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renewal House, Inc., (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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 17, 2020

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
Renewal House, Inc.
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Renewal House, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization’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 the Organization’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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
November 17, 2020

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 material weaknesses or 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 material weaknesses or 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 program tested as a major program is as follows:

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, 2020

None.