

RENEWAL HOUSE, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

RENEWAL HOUSE, INC.

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RENEWAL HOUSE, INC.

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

JUNE 30, 2019

Board of Directors

Patrick Walsh	President
Mary Flipse	Vice President
Kathy Nelson	Treasurer
Dru Bredesen	Secretary
Scott Bolenbaugh	Board Member
Nancy Church	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
LoLita Toney	Board Member
Mary Walker	Board Member

Executive Staff

Pamela Sessions	Chief Executive Officer
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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewal House, Inc. as of June 30, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Renewal House, Inc. adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. This ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, 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.



Nashville, Tennessee
November 8, 2019

RENEWAL HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,410,218	\$ 1,040,807
Investments	1,739,893	1,625,605
Grants receivable	96,550	132,620
Prepaid expenses	8,320	18,623
Total Current Assets	3,254,981	2,817,655
Property and equipment, net	1,537,217	1,492,194
Total Assets	\$ 4,792,198	\$ 4,309,849
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 20,657	\$ 20,065
Total Current Liabilities	20,657	20,065
Net Assets:		
Without Donor Restrictions:		
Undesignated	2,910,508	2,559,734
Designated	1,574,165	1,536,450
Total Without Donor Restrictions	4,484,673	4,096,184
With donor restrictions	286,868	193,600
Total Net Assets	4,771,541	4,289,784
Total Liabilities and Net Assets	\$ 4,792,198	\$ 4,309,849

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

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

RENEWAL HOUSE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Federal and state grants	\$ 1,204,031	\$ -	\$ 1,204,031
Contributions	324,847	157,540	482,387
Special events, net of direct costs \$63,165	109,727	-	109,727
In-kind contributions	97,941	-	97,941
Rental income	77,071	-	77,071
Investment income	39,082	-	39,082
Managed care income	34,557	-	34,557
Other income	1,938	-	1,938
Net assets released from restrictions	195,064	(195,064)	-
Total Revenue and Other Support	2,084,258	(37,524)	2,046,734
Expenses:			
Program services	1,124,823	-	1,124,823
Supporting Services:			
Management and general	467,570	-	467,570
Fundraising	261,462	-	261,462
Total Supporting Services	729,032	-	729,032
Total Expenses	1,853,855	-	1,853,855
Change in net assets	230,403	(37,524)	192,879
Net assets, beginning of year	3,865,781	231,124	4,096,905
Net assets, end of year	\$ 4,096,184	\$ 193,600	\$ 4,289,784

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

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
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
	<u>\$ 1,213,264</u>	<u>\$ 376,132</u>	<u>\$ 245,706</u>	<u>\$ 621,838</u>	<u>\$ 1,835,102</u>

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

RENEWAL HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

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

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

RENEWAL HOUSE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 481,757	\$ 192,879
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,239	70,191
Unrealized and realized (gain) loss on investments	(66,180)	9,354
Decrease in grants receivable	36,070	16,002
Decrease in prepaid expenses and other assets	10,303	5,294
Increase (decrease) in accounts payable and accrued expenses	592	(13,140)
Net cash provided by operating activities	<u>509,781</u>	<u>280,580</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,857	2,502
Purchase of investments	(50,965)	(50,938)
Purchase of property and equipment	(92,262)	(37,435)
Net cash used in investing activities	<u>(140,370)</u>	<u>(85,871)</u>
Net increase in cash and cash equivalents	369,411	194,709
Cash and cash equivalents, beginning of year	1,040,807	846,098
Cash and cash equivalents, end of year	<u>\$ 1,410,218</u>	<u>\$ 1,040,807</u>

RENEWAL HOUSE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018.

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 \$48,750 and \$65,000 for the years ended June 30, 2019 and 2018, 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.

RENEWAL HOUSE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 and spent.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity, when purchased, of three months or less to be cash equivalents.

Property and Equipment – It is the Organization's policy to capitalize property and equipment purchases over \$2,500 at cost. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as an increase in unrestricted net assets. Property and equipment are depreciated over estimated useful lives using the straight-line method. Useful lives range from 3 years for computers to 39 years for building and building improvements.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

The three levels are explained as follows:

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

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

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

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

RENEWAL HOUSE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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

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

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

No changes in the valuation methodologies have been made since July 1, 2017.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled \$32,219 and \$108,906 for the years ended June 30, 2019 and 2018, respectively.

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

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

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

RENEWAL HOUSE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of implementation of this new standard.

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

Subsequent Events – The Organization has evaluated subsequent events and transactions that occurred between June 30, 2019 and November 8, 2019, 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.

RENEWAL HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Liquidity and availability of resources (continued)

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:

	2019	2018
Cash and cash equivalents	\$ 1,410,218	\$ 1,040,807
Investments	1,739,893	1,625,605
Grants receivable	96,550	132,620
Total financial assets	<u>3,246,661</u>	<u>2,799,032</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to designations	1,574,165	1,536,450
Net assets subject to restrictions	<u>286,868</u>	<u>193,600</u>
Total amounts not available to be used for general expenditures within one year:	<u>1,861,033</u>	<u>1,730,050</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,385,628</u></u>	<u><u>\$ 1,068,982</u></u>

Note 3—Property and equipment

Property and equipment consists of the following at June 30:

	2019	2018
Land	\$ 999,833	\$ 999,833
Building and improvements	1,286,402	1,272,262
Construction in progress	64,576	-
Furniture and equipment	<u>382,030</u>	<u>574,813</u>
	2,732,841	2,846,908
Less accumulated depreciation	<u>(1,195,624)</u>	<u>(1,354,714)</u>
Property and equipment, net	<u><u>\$ 1,537,217</u></u>	<u><u>\$ 1,492,194</u></u>

RENEWAL HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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:

2019				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 175,933	\$ -	\$ -	\$ 175,933
Common Stock:				
Industrial	73,627	-	-	73,627
Healthcare	84,743	-	-	84,743
Information technology	80,829	-	-	80,829
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	<u>\$ 1,739,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,893</u>
2018				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 122,776	\$ -	\$ -	\$ 122,776
Common Stock:				
Industrial	68,459	-	-	68,459
Healthcare	65,097	-	-	65,097
Information technology	73,292	-	-	73,292
Financials	56,025	-	-	56,025
Consumer discretionary	44,518	-	-	44,518
Consumer staples	40,343	-	-	40,343
Energy	24,625	-	-	24,625
International	17,134	-	-	17,134
Domestic index	16,692	-	-	16,692
Telecommunications	10,346	-	-	10,346
Total Common Stock	416,531	-	-	416,531
Fixed income	1,086,298	-	-	1,086,298
Total Investments	<u>\$ 1,625,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,625,605</u>

RENEWAL HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Investments and fair value measurements (continued)

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

	2019	2018
Interest and dividend income	\$ 48,108	\$ 48,436
Net realized/unrealized (loss) gain on investments	66,180	(9,354)
	<u>\$ 114,288</u>	<u>\$ 39,082</u>

Note 5—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 6—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, 2019, the Organization received approximately 42% of contributions from one donor.

Note 7—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 \$11,557 and \$9,539 for the years ended June 30, 2019 and 2018, respectively.

Note 8—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 \$574,165 and \$536,450 at June 30, 2019 and 2018, respectively. In addition, the board designated capital reserve assets totaled \$1,000,000 at June 30, 2019 and 2018. Designated net assets totaled \$1,574,165 and \$1,536,450 at June 30, 2019 and 2018, respectively.

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

	2019	2018
Treatment of women with opioid addictions	\$ 226,617	\$ 3,160
Capital campaign	30,166	111,250
Contributions	30,085	29,190
Capital improvements	-	50,000
	<u>\$ 286,868</u>	<u>\$ 193,600</u>

RENEWAL HOUSE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 9—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 \$21,004 and \$18,890 at June 30, 2019 and 2018, respectively.

Note 10—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 \$64,576 to this firm during the year ended June 30, 2019.

SUPPLEMENTAL SCHEDULES

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

YEAR ENDED JUNE 30, 2019

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	\$ 16,925
U.S. Dept. of Health and Human Services Passed Through:				
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 53539_2018-2019_016	52,335
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 58046_2018-2019_010	691,315
Total for CFDA No. 93.959				743,650
TN Dept. of Mental Health and Substance Abuse Services	TN Coord Response to Pregnant/Postpartum Substance Abuse	93.243	61098	43,450
TN Dept. of Mental Health and Substance Abuse Services	Opioid State Targeted Response	93.788	DGA 57910_2018_2019_041	9,542
TN Dept. of Mental Health and Substance Abuse Services	Temporary Assistance for Needy Families	93.558	34530-80415	68,666
Total U.S. Dept. of Health and Human Services				865,308
Total Federal Awards				882,233
STATE AWARDS				
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	52525	131,750
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	34530-80415	127,523
TN Dept. of Mental Health and Substance Abuse Services	Early Intervention and Prevention Program	N/A	58868	33,525
TN Dept. of Mental Health and Substance Abuse Services	Access to Recovery	N/A	DGA 53381_2018-2019_053	11,987
Total State Awards				304,785
Total Federal and State Awards				\$ 1,187,018

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

RENEWAL HOUSE, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2019

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, 2019. 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 2019 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.

**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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated November 8, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Renewal House, Inc.'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.



Nashville, Tennessee
November 8, 2019

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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Renewal House, Inc.'s major federal programs for the year ended June 30, 2019. Renewal House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Renewal House, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Renewal House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Renewal House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Renewal House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Renewal House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Renewal House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Renewal House, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Nashville, Tennessee
November 8, 2019

RENEWAL HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Renewal House, Inc. were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Renewal House, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs were disclosed in the *Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Renewal House, Inc. expresses an unmodified opinion on the major program selected.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program is as follows:

CFDA Number

93.959

Name of Federal Program or Cluster

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, 2019

None.