

**RENEWAL HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

# RENEWAL HOUSE, INC.

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**RENEWAL HOUSE, INC.  
ROSTER OF BOARD OF DIRECTORS AND  
EXECUTIVE STAFF  
As of June 30, 2016**

**Board of Directors**

Everett Cowan	President
Susan Barber	Vice President
Patrick Walsh	Treasurer
LoLita Toney	Secretary
Dru Bredesen	Board Member
Nancy Church	Board Member
Marilyn Dubree	Board Member
Elizabeth Gerken	Board Member
Risa Herzog	Board Member
Sean Kirk	Board Member
Henry Menge	Board Member
Viola Miller	Board Member
Dirk Plantinga	Board Member
Charley Poe	Board Member
Kevin Roddey	Board Member
Gail Sims	Board Member
Julia St. Clair	Board Member

**Executive Staff**

Pamela Sessions	Chief Executive Officer
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 audits were 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 October 20, 2016, on our consideration of Renewal House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Renewal House, Inc.'s internal control over financial reporting and compliance.

*Fraser, Dun & Hand, PLLC*

Nashville, Tennessee  
October 20, 2016

**RENEWAL HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:			
Cash and cash equivalents		\$ 506,080	\$ 507,690
Investments		1,509,483	1,067,845
Other receivables		416	2,944
Grants receivable		190,822	227,780
Other assets		374	3,375
Prepaid expenses		22,180	16,371
		<hr/>	<hr/>
Total current assets		2,229,355	1,826,005
Property and equipment, net		<hr/> 1,608,435	<hr/> 1,650,628
Total assets		<hr/> <u>\$ 3,837,790</u>	<hr/> <u>\$ 3,476,633</u>
	<b>Liabilities and Net Assets</b>		
Current liabilities:			
Accounts payable and accrued expenses		<hr/> \$ 40,611	<hr/> \$ 40,489
Total current liabilities		<hr/> 40,611	<hr/> 40,489
Net assets:			
Unrestricted:			
Undesignated		2,456,754	2,540,238
Designated		<hr/> 1,333,129	<hr/> 852,389
Total unrestricted		3,789,883	3,392,627
Temporarily restricted		<hr/> 7,296	<hr/> 43,517
Total net assets		<hr/> 3,797,179	<hr/> 3,436,144
Total liabilities and net assets		<hr/> <u>\$ 3,837,790</u>	<hr/> <u>\$ 3,476,633</u>

See accompanying notes.

**RENEWAL HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state grants	\$ 1,509,583	\$ -	\$ 1,509,583
Contributions	304,469	7,489	311,958
In-kind contributions	111,253	-	111,253
Investment income	42,613	-	42,613
Special events, net of direct costs \$44,365	74,867	-	74,867
Rental income	54,676	-	54,676
Managed care income	7,207	-	7,207
Other income	798	-	798
Net assets released from restrictions	43,710	(43,710)	-
	<u>2,149,176</u>	<u>(36,221)</u>	<u>2,112,955</u>
Total revenue and other support			
Expenses:			
Program services	1,344,006	-	1,344,006
Supporting services:			
Management and general	227,674	-	227,674
Fundraising	180,240	-	180,240
Total supporting services	<u>407,914</u>	<u>-</u>	<u>407,914</u>
Total expenses	<u>1,751,920</u>	<u>-</u>	<u>1,751,920</u>
Change in net assets	397,256	(36,221)	361,035
Net assets, beginning of year	<u>3,392,627</u>	<u>43,517</u>	<u>3,436,144</u>
Net assets, end of year	<u>\$ 3,789,883</u>	<u>\$ 7,296</u>	<u>\$ 3,797,179</u>

See accompanying notes.

**RENEWAL HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state grants	\$ 1,522,495	\$ -	\$ 1,522,495
Contributions	239,683	33,929	273,612
In-kind contributions	106,597	-	106,597
Special events, net of direct costs of \$46,966	57,944	5,000	62,944
Rental income	53,679	-	53,679
Investment income	37,778	-	37,778
Managed care income	13,091	-	13,091
Other income	135	-	135
Net assets released from restrictions	31,055	(31,055)	-
	<u>2,062,457</u>	<u>7,874</u>	<u>2,070,331</u>
Total revenue and other support			
Expenses:			
Program services	1,659,633	-	1,659,633
Supporting services:			
Management and general	201,965	-	201,965
Fundraising	175,800	-	175,800
Total supporting services	<u>377,765</u>	<u>-</u>	<u>377,765</u>
Total expenses	<u>2,037,398</u>	<u>-</u>	<u>2,037,398</u>
Change in net assets	25,059	7,874	32,933
Net assets, beginning of year	<u>3,367,568</u>	<u>35,643</u>	<u>3,403,211</u>
Net assets, end of year	<u><u>\$ 3,392,627</u></u>	<u><u>\$ 43,517</u></u>	<u><u>\$ 3,436,144</u></u>

See accompanying notes.



**RENEWAL HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2016**

	Supporting Services				
	Program	Management		Total	
	Services	and General	Fundraising	Supporting	Total
				Services	Expenses
Salaries	\$ 622,674	\$ 108,514	\$ 137,016	\$ 245,530	\$ 868,204
Benefits and taxes	168,423	23,432	35,893	59,325	227,748
Total salaries and related expenses	791,097	131,946	172,909	304,855	1,095,952
Professional fees	143,401	42,190	77	42,267	185,668
Maintenance and repairs	88,851	4,621	-	4,621	93,472
Utilities	40,296	9,771	-	9,771	50,067
Client assistance	45,325	-	-	-	45,325
Program supplies	41,645	231	56	287	41,932
Insurance	24,479	6,276	-	6,276	30,755
Fees and membership	20,795	2,830	3,736	6,566	27,361
Resident transportation	21,765	-	-	-	21,765
Maintenance supplies	15,187	45	176	221	15,408
Communication	13,164	1,361	510	1,871	15,035
Office supplies	10,926	2,530	83	2,613	13,539
Miscellaneous	5,659	3,903	1,261	5,164	10,823
Property taxes	-	6,202	-	6,202	6,202
Travel	3,856	1,661	313	1,974	5,830
Printing	3,336	1,989	244	2,233	5,569
Occupancy	3,360	-	-	-	3,360
Postage	-	1,472	875	2,347	2,347
Furniture and equipment	-	1,888	-	1,888	1,888
Total expenses before depreciation	1,273,142	218,916	180,240	399,156	1,672,298
Depreciation	70,864	8,758	-	8,758	79,622
	<u>\$ 1,344,006</u>	<u>\$ 227,674</u>	<u>\$ 180,240</u>	<u>\$ 407,914</u>	<u>\$ 1,751,920</u>

See accompanying notes.

**RENEWAL HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries	\$ 816,238	\$ 87,849	\$ 135,263	\$ 223,112	\$ 1,039,350
Benefits and taxes	227,113	21,676	31,252	52,928	280,041
Total salaries and related expenses	1,043,351	109,525	166,515	276,040	1,319,391
Professional fees	206,526	39,269	2,602	41,871	248,397
Utilities	44,683	9,253	-	9,253	53,936
Maintenance and repairs	48,355	782	-	782	49,137
Program supplies	44,415	536	64	600	45,015
Client assistance	33,229	-	-	-	33,229
Insurance	24,479	6,092	375	6,467	30,946
Resident transportation	22,395	-	-	-	22,395
Fees and membership	15,686	2,724	3,869	6,593	22,279
Maintenance supplies	19,916	98	-	98	20,014
Communication	14,310	2,022	473	2,495	16,805
Office supplies	11,360	4,519	302	4,821	16,181
Travel	13,908	282	669	951	14,859
Miscellaneous	7,678	5,038	413	5,451	13,129
Property taxes	-	6,202	-	6,202	6,202
Occupancy	5,040	-	-	-	5,040
Printing	2,959	1,962	9	1,971	4,930
Furniture and equipment	4,766	-	-	-	4,766
Postage	45	1,730	509	2,239	2,284
Total expenses before depreciation	1,563,101	190,034	175,800	365,834	1,928,935
Depreciation	96,532	11,931	-	11,931	108,463
	<u>\$ 1,659,633</u>	<u>\$ 201,965</u>	<u>\$ 175,800</u>	<u>\$ 377,765</u>	<u>\$ 2,037,398</u>

See accompanying notes.

**RENEWAL HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 361,035	\$ 32,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,622	108,463
Unrealized and realized gains on investments	(7,991)	(6,080)
Decrease (increase) in grants receivable	36,958	(37,788)
Decrease in accounts receivable	2,528	1,037
(Increase) decrease in prepaid expenses and other assets	(2,808)	3,919
Increase in accounts payable and accrued expenses	<u>122</u>	<u>12,327</u>
Net cash provided by operating activities	<u>469,466</u>	<u>114,811</u>
Cash flows from investing activities:		
Proceeds from sale of investments	75	-
Purchase of investments	(433,722)	(31,585)
Purchase of property and equipment	<u>(37,429)</u>	<u>(79,406)</u>
Net cash used in investing activities	<u>(471,076)</u>	<u>(110,991)</u>
Net (decrease) increase in cash and cash equivalents	(1,610)	3,820
Cash and cash equivalents, beginning of year	<u>507,690</u>	<u>503,870</u>
Cash and cash equivalents, end of year	<u><u>\$ 506,080</u></u>	<u><u>\$ 507,690</u></u>

See accompanying notes.

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Renewal House, Inc. (the “Organization”) is a family-based treatment program and recovery community for women and their children affected by addiction, mental health issues, poverty, homelessness, and other forms of trauma. The Organization provides holistic care in both an outpatient and residential setting, including licensed addiction treatment, mental health services, case management, children’s services, extensive wrap-around services, and long-term support for each family. Pregnant and postpartum women and their infants receive specialized services tailored to meet their unique needs. The Organization seeks to preserve families by helping women live sober, self-sufficient lives and ensuring children have a healthy start through early intervention and prevention services.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Resources are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted net assets:**

*Undesignated* – Net assets that are not subject to donor-imposed stipulations or designated by the Organization’s board.

*Designated* – Net assets designated by the Organization’s board for particular purposes, presently designated by the board as funds held in reserve for future use and capital reserves.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

**Contributions and Support**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Contributions and Support (Continued)**

expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

The Organization also receives grant revenue from various federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Contributed services are reported as contribution revenue and as assets or expense when services would otherwise need to be purchased by the Organization, require specialized skills and are provided by persons with those skills. Such contributions are reported at estimated fair value. Donated professional services, including a physician providing medical supervision, totaled \$65,000 and \$69,411 for the years ended June 30, 2016 and 2015, 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.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Cash and Cash Equivalents**

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

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment purchases over \$2,500. 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

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Property and Equipment (Continued)**

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 accounting principles generally accepted in the United States of America 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. Generally accepted accounting principles have 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.

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Investments and Fair Value Measurements (Continued)**

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.

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, 2014.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows guidance for the financial statement recognition measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Income Taxes (Continued)**

As of June 30, 2016 and 2015, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The Organization files U.S. Federal Form 990 for organizations exempt from income tax. Tax returns are subject to audit by the U.S. Internal Revenue Service for three years following the date of filing. Tax returns for years prior to fiscal year ended June 30, 2013 are closed.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 999,833	\$ 999,833
Building and improvements	1,231,165	1,193,737
Furniture and equipment	<u>574,813</u>	<u>574,813</u>
	2,805,811	2,768,383
Less accumulated depreciation	<u>(1,197,376)</u>	<u>(1,117,755)</u>
Property and equipment, net	<u>\$ 1,608,435</u>	<u>\$ 1,650,628</u>

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following table sets forth the Organization's major categories of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market	\$ 424,326	\$ -	\$ -	\$ 424,326
Common stock:				
Healthcare	57,459	-	-	57,459
Financials	48,669	-	-	48,669
Industrial	50,584	-	-	50,584
Energy	26,307	-	-	26,307
Information technology	45,052	-	-	45,052
Consumer discretionary	40,254	-	-	40,254



**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Consumer staples	39,873	-	-	39,873
International	13,896	-	-	13,896
Telecommunications	12,998	-	-	12,998
Small cap	<u>11,621</u>	<u>-</u>	<u>-</u>	<u>11,621</u>
Total common stock	346,713	-	-	346,713
Fixed income	<u>738,444</u>	<u>-</u>	<u>-</u>	<u>738,444</u>
Total investments	<u>\$ 1,509,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,509,483</u>

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market	\$ 61,423	\$ -	\$ -	\$ 61,423
Common stock:				
Healthcare	57,635	-	-	57,635
Information technology	46,144	-	-	46,144
Industrial	46,045	-	-	46,045
Financials	45,116	-	-	45,116
Consumer discretionary	44,702	-	-	44,702
Consumer staples	34,201	-	-	34,201
Energy	24,622	-	-	24,622
International	16,068	-	-	16,068
Small cap	11,788	-	-	11,788
Telecommunications	<u>10,740</u>	<u>-</u>	<u>-</u>	<u>10,740</u>
Total common stock	337,061	-	-	337,061
Fixed income	<u>669,361</u>	<u>-</u>	<u>-</u>	<u>669,361</u>
Total investments	<u>\$ 1,067,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,845</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 34,622	\$ 31,698
Net realized/unrealized gains on investments	<u>7,991</u>	<u>6,080</u>
	<u>\$ 42,613</u>	<u>\$ 37,778</u>

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. The Organization has not experienced any losses in such accounts. In management's opinion, the Organization is not exposed to any significant credit risk relating to cash and cash equivalent balances.

**NOTE 5 – CONCENTRATION OF REVENUE**

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

**NOTE 6 – RETIREMENT PLAN**

The Organization offers a simple IRA plan covering eligible employees that choose to participate, matching up to 3% of employee salary. The Organization made contributions of \$11,352 and \$13,225 for the years ended June 30, 2016 and 2015, respectively.

**NOTE 7 – NET ASSETS**

Effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organization's undesignated investments are to be designated for long-term needs. Designated net assets related to the investment policy totaled \$333,129 and \$352,389 at June 30, 2016 and 2015, respectively. In addition, the board designated capital reserve assets amounted to \$1,000,000 and \$500,000 at June 30, 2016 and 2015, respectively. Designated net assets totaled \$1,333,129 and \$852,389 at June 30, 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
A Women's Thanksgiving	\$ 2,000	\$ 5,000
Contributions	<u>5,296</u>	<u>38,517</u>
	<u>\$ 7,296</u>	<u>\$ 43,517</u>

**NOTE 8 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE**

The Community Foundation of Middle Tennessee (the "Foundation") maintains investments on behalf of the Organization. The Foundation has ultimate authority and control over the investments; accordingly the net assets of the Organization do not include these investments.

**RENEWAL HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 8 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE (Continued)**

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 \$15,992 and \$16,339 at June 30, 2016 and 2015, respectively.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions that occurred between June 30, 2016 and October 20, 2016, 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.

## **ADDITIONAL INFORMATION**

**RENEWAL HOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Expenditures
<b>FEDERAL AWARDS</b>				
U.S. Dept. of Homeland Security	Emergency Food and Shelter National Board Program	97.024	N/A	\$ 18,229
U.S. Dept. of Housing and Urban Development	Supportive Housing Program	14.235	TN0065L4J041407	20,267
U.S. Dept. of Housing and Urban Development Passed Through: Nashville Metropolitan Development and Housing Agency	Emergency Solutions Grant Program	14.231	N/A	13,500
Total for U.S. Dept. of Housing and Urban Development				33,767
U.S. Dept. of Health and Human Services	Family Connection Grants	93.605	90CF0039-03	329,113
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 45372_2015-2016_017	56,000
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	DGA 45372_2015-2016_010	667,072
Total for CFDA No. 93.959*				723,072
TN Dept. of Human Services	Temporary Assistance for Needy Families	93.558	34530-80415	70,000
Total U.S. Dept. of Health and Human Services				1,122,185
Total Federal Awards				\$ 1,174,181

**RENEWAL HOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Expenditures
<b>STATE AWARDS</b>				
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	40351	131,750
TN Dept. of Human Services	Temporary Assistance to Needy Families	N/A	34530-80415	130,000
TN Dept. of Mental Health and Developmental Disabilities	Early Intervention and Prevention Program	N/A	47105	24,000
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	N/A	45369	6,130
TN Housing Development Agency	Housing Trust Fund Program	N/A	HTF-15-F-08	43,522
Total State Awards				<u>335,402</u>
Total Federal and State Awards				<u>\$ 1,509,583</u>

\* Denotes a major program.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE 1 - BASIS OF PRESENTATION**

This schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Renewal House, Inc. for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Renewal House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Renewal House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 October 20, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Frasier, Owen + Hand, PLLC*

Nashville, Tennessee  
October 20, 2016





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Renewal House, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Renewal House, Inc.'s major federal programs for the year ended June 30, 2016. 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 the requirements of laws, regulations, contracts, and grants 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, 2016.

### **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.

*Frazier, Don & Hand, PLLC*

Nashville, Tennessee  
October 20, 2016

**RENEWAL HOUSE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

**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 GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
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 Independent Auditor's Report 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 all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs include:

**CFDA Number**  
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.

**RENEWAL HOUSE, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2016**

NONE