

**RENEWAL HOUSE, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2009 AND 2008**

# RENEWAL HOUSE, INC.

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**BELLENFANT + MILES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Renewal House, Inc., as of June 30, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended June 30, 2008 of Renewal House, Inc. were audited by other accountants, whose report dated November 6, 2008, reported an unqualified opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Renewal House, Inc. taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bellenfant & Miles, PLLC*

November 10, 2009

**RENEWAL HOUSE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2009 AND 2008**

**ASSETS**

<b>CURRENT ASSETS:</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 275,348	\$ 422,458
Investments	449,631	690,508
Federal and state awards receivable	150,299	213,174
Grants receivable	1,280	24,127
Other	9,010	9,910
Total Current Assets	885,568	1,360,177
Property and equipment, net	1,998,781	1,555,056
<b>TOTAL ASSETS</b>	<b>\$ 2,884,349</b>	<b>\$ 2,915,233</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 19,057	\$ 97,849
Total Current Liabilities	19,057	97,849
<b>NET ASSETS:</b>		
Unrestricted		
Undesignated	2,670,054	2,503,064
Designated	168,545	275,485
Temporarily restricted	2,838,599	2,778,549
	26,693	38,835
Total Net Assets	2,865,292	2,817,384
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,884,349</b>	<b>\$ 2,915,233</b>

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

# RENEWAL HOUSE, INC.

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Federal and state grants	\$ 975,528	\$ -	\$ 975,528
Contributions	432,835	61,920	494,755
Rental income	34,746	-	34,746
Special events, less direct benefit costs of \$27,522	39,241	-	39,241
Program service fees	11,660	-	11,660
Investment loss, net	(81,885)	-	(81,885)
Released from restrictions	74,062	(74,062)	-
	<u>1,486,187</u>	<u>(12,142)</u>	<u>1,474,045</u>
Total public support and revenue			
<b>EXPENSES:</b>			
Program services	1,212,889	-	1,212,889
Management and general	132,569	-	132,569
Fundraising	80,679	-	80,679
	<u>1,426,137</u>	<u>-</u>	<u>1,426,137</u>
Total expenses			
CHANGE IN NET ASSETS	60,050	(12,142)	47,908
Net Assets, July 1, 2008	<u>2,778,549</u>	<u>38,835</u>	<u>2,817,384</u>
Net Assets, June 30, 2009	<u>\$ 2,838,599</u>	<u>\$ 26,693</u>	<u>\$ 2,865,292</u>

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

# RENEWAL HOUSE, INC.

## STATEMENT OF ACTIVITIES

### FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Federal and state grants	\$ 1,051,286	\$ -	\$ 1,051,286
Contributions	327,075	20,156	347,231
Rental income	49,085	-	49,085
Special events, less direct benefit cost of \$22,964	59,278	-	59,278
Program service fees	19,973	-	19,973
Investment loss, net	(1,107)	-	(1,107)
Released from restrictions	123,185	(123,185)	-
	<u>1,628,775</u>	<u>(103,029)</u>	<u>1,525,746</u>
<b>Total public support and revenue</b>			
	<u>1,628,775</u>	<u>(103,029)</u>	<u>1,525,746</u>
<b>EXPENSES:</b>			
Program services	1,167,647	-	1,167,647
Management and general	115,982	-	115,982
Fundraising	68,112	-	68,112
	<u>1,351,741</u>	<u>-</u>	<u>1,351,741</u>
<b>Total expenses</b>			
	<u>1,351,741</u>	<u>-</u>	<u>1,351,741</u>
<b>CHANGE IN NET ASSETS</b>	277,034	(103,029)	174,005
<b>Net Assets, July 1, 2007</b>	<u>2,501,515</u>	<u>141,864</u>	<u>2,643,379</u>
<b>Net Assets, June 30, 2008</b>	<u>\$ 2,778,549</u>	<u>\$ 38,835</u>	<u>\$ 2,817,384</u>

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

**RENEWAL HOUSE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 676,935	\$ 100,132	\$ 64,968	\$ 842,035
Employee Benefits	151,723	21,455	13,921	187,099
Repairs and Maintenance	103,685	6,414	-	110,099
Depreciation	77,873	-	-	77,873
Professional Fees	51,697	1,004	402	53,103
Supplies	41,995	382	153	42,530
Insurance	35,130	1,570	628	37,328
Transportation	30,494	-	-	30,494
Communications	15,112	652	261	16,025
Conference and Meetings	9,192	235	94	9,521
Miscellaneous	4,838	255	102	5,195
Printing	3,762	173	69	4,004
Recruiting	3,667	176	70	3,913
Travel	3,838	-	-	3,838
Postage	1,587	94	-	1,681
Fees and Membership	<u>1,361</u>	<u>27</u>	<u>11</u>	<u>1,399</u>
	<u>\$ 1,212,889</u>	<u>\$ 132,569</u>	<u>\$ 80,679</u>	<u>\$ 1,426,137</u>

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

# RENEWAL HOUSE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

### FOR THE YEAR ENDED JUNE 30, 2008

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 649,307	\$ 82,595	\$ 49,706	\$ 781,608
Employee Benefits	160,222	20,010	12,457	192,689
Repairs and Maintenance	113,829	6,633	-	120,462
Depreciation	51,902	-	-	51,902
Professional Fees	53,883	1,987	2,186	58,056
Supplies	29,972	915	453	31,340
Insurance	34,724	1,413	850	36,987
Transportation	28,757	-	-	28,757
Communications	12,720	1,249	1,374	15,343
Conference and Meetings	10,944	131	613	11,688
Miscellaneous	9,971	137	151	10,259
Printing	3,499	400	200	4,099
Recruiting	2,053	12	57	2,122
Travel	4,471	-	-	4,471
Postage	901	77	-	978
Fees and Membership	492	423	65	980
	<u>\$ 1,167,647</u>	<u>\$ 115,982</u>	<u>\$ 68,112</u>	<u>\$ 1,351,741</u>

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



# RENEWAL HOUSE, INC.

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2009 AND 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2009</u>	<u>2008</u>
Changes in net assets	\$ 47,908	\$ 174,005
Adjustments to reconcile changes in net assets to net cash provided by operations		
Depreciation	77,873	51,902
Unrealized and realized losses on investments	97,427	30,507
Donated property and equipment	(4,891)	(48,068)
Changes in current assets and liabilities:		
Grants receivable	85,722	(159,568)
Prepaid insurance	900	-
Accounts payable	<u>(78,793)</u>	<u>87,179</u>
Net Cash Provided by Operating Activities	<u>226,146</u>	<u>135,957</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	241,093	8,692
Purchase of investments	(92,753)	-
Purchase of property and equipment	<u>(521,598)</u>	<u>(391,851)</u>
Net Cash Used by Investing Activities	<u>(373,258)</u>	<u>(383,159)</u>
Net Decrease in Cash	(147,112)	(247,202)
Cash and Cash Investments, beginning of year	<u>422,458</u>	<u>669,660</u>
Cash and Cash Investments, end of year	<u><u>\$ 275,346</u></u>	<u><u>\$ 422,458</u></u>
 Supplemental Information:		
Donated property and equipment	<u><u>\$ 4,891</u></u>	<u><u>\$ 48,068</u></u>

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

# RENEWAL HOUSE, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

#### **Nature of Activities:**

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

#### **Financial Statement 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. Financial statement presentation follows the recommendation of the "Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-for-Profit Organizations. Accordingly, net assets of the Organization, and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

#### **Contributions:**

The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are not restricted, or are restricted by the donor and the restriction expires or is not met during the fiscal year, are reported as increase in unrestricted net assets. All other contributions are reported as increases in temporarily or permanently restricted net assets.

# **RENEWAL HOUSE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES -continued**

#### **Functional Allocation of Expenses:**

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

#### **Cash and cash equivalents:**

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

#### **Property and Equipment:**

It is the Organization's policy to capitalize property and equipment over \$500. All purchases less than that amount are expenses 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 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 computer to 27.5 years for building and building improvements.

#### **Use of Estimates:**

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

#### **Investments:**

The Organization has adopted the provisions of SFAS No 124, Accounting for Certain Investments for Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at the fair market values in the statement of financial position. Investment income and unrealized gains and losses are reported as changes in unrestricted net assets unless the use of income has been restricted by the donor.

# RENEWAL HOUSE, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES -continued

#### Income Taxes:

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

### 2. PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at June 30:	<u>2009</u>	<u>2008</u>
Land	\$ 999,833	\$ 758,770
Construction in Progress	-	76,535
Building and Improvements	1,048,165	720,398
Furniture and Equipment	490,492	461,188
	<u>2,538,490</u>	<u>2,016,891</u>
Less accumulated depreciation	(539,708)	(461,835)
	<u>\$ 1,998,782</u>	<u>\$ 1,555,056</u>

### 3. INVESTMENTS

Investments consist of the following at June 30:	<u>2009</u>	<u>2008</u>
Equities	\$ 187,235	\$ 246,058
Bonds	262,396	376,202
Certificates of deposit, rates ranging from 5.0% to 5.3%,	-	68,248
	<u>\$ 449,631</u>	<u>\$ 690,508</u>

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

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 15,542	\$ 29,400
Net realized/unrealized losses on investments	<u>(97,427)</u>	<u>(30,507)</u>
	<u>\$ (81,885)</u>	<u>\$ (1,107)</u>

# **RENEWAL HOUSE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

### **4. CONCENTRATIONS OF CREDIT RISK**

The Organization's cash account balances at June 30, 2009 and 2008 exceeded the insurance limits of the Federal Deposit Insurance Corporation ("FDIC") of \$250,000 per depositor through December 31, 2009, under terms of the Emergency Economic Stabilization Act of 2008. In addition, on October 14, 2008, the FDIC instituted the Temporary Liquidity Guarantee Program which provides full coverage of non-interest bearing deposit transaction accounts regardless of dollar amount, through participating financial institutions.

### **5. CONCENTRATION OF REVENUE**

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

### **6. RETIREMENT PLAN**

The Organization offers a simple IRA plan that covers eligible employees that choose to participate. The Organization made contributions of \$12,061 and \$8,998 for the years ended June 30, 2009, and 2008, respectively.

### **7. NET ASSETS**

On June 30, 2000, the Organization's Executive Committee created a separate fund with unrestricted contributions to provide resources for the long-term needs of the Organization. Furthermore, effective fiscal year 2007, the Executive Committee approved an investment policy whereby 33% of the Organizations investments are to be designated for long-term needs. As of June 30, 2009, and 2008, \$168,545 and \$275,285, respectively, are designated as Endowment Funds for long-term use.

**RENEWAL HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**7. NET ASSETS - continued**

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

	<u>2009</u>	<u>2008</u>
Expansion of Vocational Program	\$ 15,000	\$ 15,000
Computer Learning Center	-	5,339
Intensive Outpatient Program	-	2,535
Security Improvements	-	2,548
Project Magic	-	3,070
Technology	-	1,650
Suits for Success	1,193	1,193
A Women's Thanksgiving	<u>10,500</u>	<u>7,500</u>
	<u>\$ 26,693</u>	<u>\$ 38,835</u>

**8. SUBSEQUENT EVENT**

The Organization reviewed its activities through November 10, 2009 for the purpose of disclosing events occurring subsequent to June 30, 2009. Their review disclosed a potential liability to the Metropolitan Government of Nashville and Davidson County, Tennessee for real property taxes under a payment in lieu of tax agreement ("PILOT") for the period October 25, 1997 through November 27, 2001. Management feels that its potential liability under this agreement should not exceed \$15,000.

**SUPPLEMENTAL INFORMATION**

**RENEWAL HOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2008</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2009</u>
<b>FEDERAL AWARDS</b>							
<b>US Department of Homeland Security passed through:</b>							
United Way	Emergency Food and Shelter Program	97.024	N/A	\$ 5,500	\$ 16,500	\$ 11,000	\$ -
<b>Total for US Department of Homeland Security</b>							
<b>US Department of Housing and Urban Development:</b>							
US Department of Housing and Urban Development	Supportive Housing Program	14.235	TN0065B4J040801	-	49,342	55,247	5,905
US Department of Housing and Urban Development	Supportive Housing Program	14.235	TN37B704003	5,464	5,464	-	-
<b>Total for CFDA No. 14.235</b>				5,464	54,806	55,247	5,905
Passed through Nashville Metropolitan Development and Housing Agency	Community Development Block Grant			-	8,168	30,000	21,832
Passed through Nashville Metropolitan Development and Housing Agency	Emergency Shelter Grants Program	14.231	S98MC47004	362	7,362	7,000	-
<b>Total for CFDA No. 14.231 *</b>				362	15,530	37,000	21,832
<b>Total for US Department of Housing and Urban Development</b>				5,826	70,336	92,247	27,737
<b>US Department of Health and Human Services passed through:</b>							
TN Department of Health	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-08-023625-00	20,919	20,919	-	-
TN Department of Mental Health and Development Disabilities	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-09-216607-00 +	-	273,951	315,000	41,049
<b>Total for CFDA No. 93.959 *</b>				20,919	294,870	315,000	41,049
TN Department of Human Services	Temporary Assistance for Needy Families	93.558	GR-05-16128.04	970	970	-	-
TN Department of Human Services	Temporary Assistance for Needy Families	93.558	GR-05-16128-05	-	117,022	126,210	9,188
<b>Total for CFDA No. 93.558 *</b>				970	117,992	126,210	9,188
TN Department of Mental Health and Development Disabilities	Block Grants for Community Mental Health Services	93.958	GR-08-21526-00	771	771	-	-
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	93.958	GR-09-25960-00	-	2,323	4,000	1,677
<b>Total for CFDA No. 93.958 *</b>				771	3,094	4,000	1,677
<b>Total for US Department of Health and Human Services</b>				22,660	415,956	445,210	51,914
<b>Total Federal Awards</b>				\$ 33,986	\$ 502,792	\$ 548,457	\$ 79,651



**RENEWAL HOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable June 30, 2008</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2009</u>
<b>STATE AWARDS</b>							
TN Department of Mental Health and Development Disabilities	Block Grants for Prevention and Treatment of Substance Abuse	N/A	GR-08-21526-00	\$ 4,061	4,061	-	\$ -
TN Department of Mental Health and Development Disabilities	Early Intervention and Prevention Program	N/A	GR-09-25960-00	-	12,070	20,898	8,828
TN Department of Human Services	Temporary Assistance for Needy Families	N/A	GR-05-16128-04#	1,801	1,801	-	-
TN Department of Human Services	Temporary Assistance for Needy Families	N/A	GR-05-16128-05#	-	216,357	235,044	18,687
TN Housing Development Agency	Rehabilitation of Housing Units	N/A	HTF-07-26	126,000	125,002	4,129	5,127
TN Department of Children's Services	Consultation and Technical Assistance	N/A	GR-09-25709-00	-	57,867	75,000	17,133
TN Department of Children's Services	Consultation and Technical Assistance	N/A	GR-08-22144-00	20,105	20,105	-	-
TN Department of Children's Services	Needs Assessment	N/A	GR-07-18284-01	16,355	16,355	-	-
TN Department of Children's Services	Needs Assessment	N/A	GR-09-25710-00	-	70,127	80,000	9,873
TN Department of Mental Health and Development Disabilities	Co-Occurring Disorders	N/A	GR-09-27193-00	10,866	11,866	12,000	11,000
<b>Total State Awards</b>				179,188	535,611	427,071	70,648
<b>Total Federal and State Awards</b>				<u>\$ 213,174</u>	<u>\$ 1,038,403</u>	<u>\$ 975,528</u>	<u>\$ 150,299</u>

\* Cash grant receipts represent federal pass-through funds

# Represents state's portion of grant

+ Represents major program

**NOTE 1 - BASIS OF ACCOUNTING**

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



**BELLENFANT + MILES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Renewal House, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

### Compliance and Other Matters

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

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

*Bellenfant & Mills, PLLC*

November 10, 2009





**BELLENFANT + MILES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Renewal House, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Renewal House, Inc.'s, compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

November 10, 2009

*Bellenfant & Miles, PLLC*

**RENEWAL HOUSE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**PART I - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Renewal House, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Auditors' Report On Compliance And On Internal Control Over Financial Reporting 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 *Governmental Auditing Standards*, were disclosed in the audit.
4. No material weaknesses in internal control over major federal award programs were reported in the Auditors' Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the Organization's major federal program expresses an unqualified opinion.
6. No findings relating to the audit of the major federal award program are reported in the Auditors' Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.
7. Block Grants for Prevention and Treatment of Substance Abuse, CFDA No. 93.959, was determined to be the Organization's sole major program.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Renewal House, Inc. qualified as a low-risk auditee.

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

1. There were no findings or questioned costs reported in accordance with generally accepted government auditing procedures.

**PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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

**RENEWAL HOUSE, INC.**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2009**

The audit findings for the year ended June 30, 2008 have been resolved.