

# **RENEWAL HOUSE, INC. AND AFFILIATE**

## **CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

*As of and for the Years Ended June 30, 2022 and 2021*

*And Report of Independent Auditor*

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**TABLE OF CONTENTS**

---

<b>ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF .....</b>	<b>1</b>
<b>REPORT OF INDEPENDENT AUDITOR.....</b>	<b>2-4</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	5
Consolidated Statements of Activities .....	6-7
Consolidated Statements of Functional Expenses .....	8-9
Consolidated Statements of Cash Flows.....	10
Notes to the Consolidated Financial Statements.....	11-20
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statements of Financial Position.....	21-22
Consolidating Statements of Activities.....	23-24
<b>COMPLIANCE INFORMATION</b>	
Schedule of Expenditures of Federal and State Awards .....	25
Notes to the Schedule of Expenditures of Federal and State Awards .....	26
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 <i>Government Auditing Standards</i> .....	27-28
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	29-30
Schedule of Findings and Questioned Costs.....	31-32
Summary Schedule of Prior Audit Findings.....	33

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

*JUNE 30, 2022*

---

**Board of Directors**

Linda Marzialo	President
Yolonda Brooks Robinson	Vice President
Jennifer Hillen	Treasurer
Gabrielle Bley	Secretary
Scott Bolenbaugh	Board Member
Emmicia Bracy	Board Member
Byrettia Broady	Board Member
Tara Carlson	Board Member
Tanya Fitzgerald	Board Member
Mary Flipse	Board Member
Lela Hollobaugh	Board Member
Rebecca Klements	Board Member
Ken Leiser	Board Member
Rebecca Merkh	Board Member
Suri Ramanna	Board Member
Shoshana Samuels	Board Member
Patrick Walsh	Board Member
Jennie Zagnoev	Board Member

**Executive Staff**

Pamela Sessions	Chief Executive Officer
-----------------	-------------------------

## Report of Independent Auditor

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

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Renewal House, Inc. and Affiliate (a nonprofit organization) (the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in *the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The Roster of the Board of Directors is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Roster of the Board of Directors has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and according, we do not express an opinion or provide any assurance on it.

***Report on Consolidating Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 through 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated 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 March 9, 2023 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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Nashville, Tennessee  
March 9, 2023

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2022 AND 2021*

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,676,188	\$ 10,025,660
Investments	1,901,289	2,034,120
Grants receivable	141,174	118,964
Contributions receivable, current	853,788	92,125
Prepaid expenses	34,175	13,231
Total Current Assets	7,606,614	12,284,100
Contributions receivable	78,638	71,471
New markets tax credit intangible assets, net	215,908	255,164
New markets tax credit note receivable	6,708,700	6,708,700
Property and equipment, net	9,215,026	3,949,850
<b>Total Assets</b>	<b>\$ 23,824,886</b>	<b>\$ 23,269,285</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 130,071	\$ 276,770
Note payable, net	2,953,313	5,951,646
New markets tax credit debt, net	8,440,705	8,409,410
<b>Total Liabilities</b>	<b>11,524,089</b>	<b>14,637,826</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	9,717,744	6,581,144
Designated	1,633,763	1,678,040
Total Without Donor Restrictions	11,351,507	8,259,184
With Donor Restrictions	949,290	372,275
Total Net Assets	12,300,797	8,631,459
<b>Total Liabilities and Net Assets</b>	<b>\$ 23,824,886</b>	<b>\$ 23,269,285</b>

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

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2022*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Other Support:			
Contributions	\$ 549,191	\$ 2,448,876	\$ 2,998,067
Federal and state grants	1,374,934	\$ 1,000,000	2,374,934
Special events, net of direct costs \$50,618	132,464	-	132,464
Nonfinancial contributions	65,000	-	65,000
Rental income	75,066	-	75,066
Managed care income	42,896	-	42,896
Investment loss	(132,831)	-	(132,831)
Other income	6,047	-	6,047
Net assets released from restrictions	<u>2,871,861</u>	<u>(2,871,861)</u>	<u>-</u>
Total Revenue and Other Support	<u>4,984,628</u>	<u>577,015</u>	<u>5,561,643</u>
Expenses:			
Program services	<u>1,427,659</u>	<u>-</u>	<u>1,427,659</u>
Supporting Services:			
Management and general	313,362	-	313,362
Fundraising	<u>151,284</u>	<u>-</u>	<u>151,284</u>
Total Supporting Services	<u>464,646</u>	<u>-</u>	<u>464,646</u>
Total Expenses	<u>1,892,305</u>	<u>-</u>	<u>1,892,305</u>
Change in net assets	3,092,323	577,015	3,669,338
Net assets, beginning of year	<u>8,259,184</u>	<u>372,275</u>	<u>8,631,459</u>
Net assets, end of year	<u>\$ 11,351,507</u>	<u>\$ 949,290</u>	<u>\$ 12,300,797</u>

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



**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Other Support:			
Contributions	\$ 271,375	\$ 2,333,476	\$ 2,604,851
Federal and state grants	1,548,832	-	1,548,832
Special events, net of direct costs \$26,226	106,916	-	106,916
Nonfinancial contributions	65,000	-	65,000
Rental income	75,556	-	75,556
Managed care income	39,178	-	39,178
Investment income	270,312	-	270,312
Other income	10,143	-	10,143
Net assets released from restrictions	<u>2,925,703</u>	<u>(2,925,703)</u>	<u>-</u>
Total Revenue and Other Support	<u>5,313,015</u>	<u>(592,227)</u>	<u>4,720,788</u>
Expenses:			
Program services	<u>1,493,072</u>	<u>-</u>	<u>1,493,072</u>
Supporting Services:			
Management and general	326,876	-	326,876
Fundraising	<u>280,217</u>	<u>-</u>	<u>280,217</u>
Total Supporting Services	<u>607,093</u>	<u>-</u>	<u>607,093</u>
Total Expenses	<u>2,100,165</u>	<u>-</u>	<u>2,100,165</u>
Change in net assets	3,212,850	(592,227)	2,620,623
Net assets, beginning of year	<u>5,046,334</u>	<u>964,502</u>	<u>6,010,836</u>
Net assets, end of year	<u>\$ 8,259,184</u>	<u>\$ 372,275</u>	<u>\$ 8,631,459</u>

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

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 755,286	\$ 127,093	\$ 96,773	\$ 223,866	\$ 979,152
Benefits and taxes	189,607	27,294	23,007	50,301	239,908
Total Salaries and Related Expenses	944,893	154,387	119,780	274,167	1,219,060
Professional fees	21,324	66,073	15,454	81,527	102,851
Marketing	10,773	12,750	1,274	14,024	24,797
Maintenance and repairs	46,947	-	-	-	46,947
Client assistance	82,124	554	-	554	82,678
Utilities	40,192	15,416	5,608	21,024	61,216
Program supplies	54,062	1,991	77	2,068	56,130
Licensing fees	21,364	1,433	415	1,848	23,212
Insurance	25,136	41,241	3,231	44,472	69,608
Resident transportation	23,178	-	-	-	23,178
Communication	11,893	1,515	1,212	2,727	14,620
Fees and membership	4,127	3,336	536	3,872	7,999
Printing	5,546	418	1,518	1,936	7,482
Maintenance supplies	4,812	990	-	990	5,802
Office supplies	2,835	1,586	28	1,614	4,449
Staff development	5,011	724	2,123	2,847	7,858
Property taxes	-	6,239	-	6,239	6,239
Postage	107	1,796	8	1,804	1,911
Travel	783	452	11	463	1,246
Miscellaneous	924	1,629	9	1,638	2,562
Total Expenses Before Depreciation and Amortization	1,306,031	312,530	151,284	463,814	1,769,845
Amortization	72,218	-	-	-	72,218
Depreciation	49,410	832	-	832	50,242
	<u>\$ 1,427,659</u>	<u>\$ 313,362</u>	<u>\$ 151,284</u>	<u>\$ 464,646</u>	<u>\$ 1,892,305</u>

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

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 802,943	\$ 145,279	\$ 165,374	\$ 310,653	\$ 1,113,596
Benefits and taxes	193,781	27,377	35,423	62,800	256,581
Total Salaries and Related Expenses	996,724	172,656	200,797	373,453	1,370,177
Professional fees	26,557	78,320	20,357	98,677	125,234
Marketing	907	30,416	34,331	64,747	65,654
Maintenance and repairs	62,825	6,485	490	6,975	69,800
Client assistance	82,630	-	-	-	82,630
Utilities	44,537	7,288	7,060	14,348	58,885
Program supplies	32,987	471	144	615	33,602
Licensing fees	21,329	5,940	8,580	14,520	35,849
Insurance	16,657	4,719	3,246	7,965	24,622
Resident transportation	29,004	-	-	-	29,004
Communication	16,016	537	854	1,391	17,407
Fees and membership	11,687	2,838	787	3,625	15,312
Printing	4,597	749	3,354	4,103	8,700
Maintenance supplies	13,134	387	-	387	13,521
Office supplies	6,266	2,328	141	2,469	8,735
Staff development	5,427	473	-	473	5,900
Property taxes	-	5,897	-	5,897	5,897
Postage	200	1,750	-	1,750	1,950
Travel	167	453	76	529	696
Bad debt	3,191	-	-	-	3,191
Miscellaneous	5	3,637	-	3,637	3,642
Furniture and equipment expensed	16,226	-	-	-	16,226
Total Expenses Before Depreciation and Amortization	1,391,073	325,344	280,217	605,561	1,996,634
Amortization	52,590	-	-	-	52,590
Depreciation	49,409	1,532	-	1,532	50,941
	<u>\$ 1,493,072</u>	<u>\$ 326,876</u>	<u>\$ 280,217</u>	<u>\$ 607,093</u>	<u>\$ 2,100,165</u>

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

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*YEARS ENDED JUNE 30, 2022 AND 2021*

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,669,338	\$ 2,620,623
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term purposes	(3,425,345)	(1,353,117)
Depreciation and amortization	122,460	103,531
Bad debt expense	-	3,191
Unrealized and realized loss (gain) on investments	173,314	(229,182)
Changes in operating assets and liabilities:		
Grants receivable	(22,210)	(35,615)
Prepaid expenses and other assets	(20,944)	(3,727)
Accounts payable and accrued expenses	(146,699)	232,099
Deferred grant revenue	-	(240,420)
Net cash flows from operating activities	<u>349,914</u>	<u>1,097,383</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	26,946	394,514
Purchase of investments	(67,429)	(435,644)
Issuance of note receivable	-	(6,708,700)
Acquisition of new markets tax credit intangible assets	-	(274,792)
Purchase of property and equipment	(5,315,418)	(2,154,105)
Net cash flows from investing activities	<u>(5,355,901)</u>	<u>(9,178,727)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	-	6,000,000
Proceeds from issuance of new markets tax credit note payable	-	8,816,250
Payment of notes payable	(3,000,000)	-
Cash paid for debt issuance costs	-	(488,156)
Proceeds from contributions restricted for long-term purposes	2,656,515	1,455,206
Net cash flows from investing activities	<u>(343,485)</u>	<u>15,783,300</u>
Net change in cash and cash equivalents	(5,349,472)	7,701,956
Cash and cash equivalents, beginning of year	10,025,660	2,323,704
Cash and cash equivalents, end of year	<u>\$ 4,676,188</u>	<u>\$ 10,025,660</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid, including capitalized interest	<u>\$ 63,163</u>	<u>\$ 24,665</u>

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

# RENEWAL HOUSE, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### **Note 1—Nature of activities and summary of significant accounting policies**

*Nature of Activities* – Renewal House, Inc. and Affiliate (“Renewal House”) 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. Renewal House 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. Renewal House 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.

Renewal House established the Renewed By You, Inc. (“Renewed By You”) on December 29, 2020 solely to support the charitable purposes, mission, goals, and activities of Renewal House, its sole member. As such, Renewed By You activities include constructing Renewal House’s new residential treatment facility and servicing certain notes payable for the benefit of Renewal House (see Note 9).

*Principles of Consolidation* – The accompanying consolidated financial statements include those of Renewal House and Renewed By You (collectively, the “Organization”). The Organization has been consolidated due to the presence of common control and economic interest as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant inter-entity balances and transactions have been eliminated in consolidation.

*Basis of Presentation* – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with 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, 2022 and 2021.

*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 restrictions if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions.

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

Contributed services are reported as contribution revenue and as assets or expense when services would otherwise need to be purchased by the Organization, require specialized skills, and are provided by persons with those skills. Such contributions are reported at estimated fair value. Donated professional services, including a physician providing medical supervision, totaled \$65,000 for both years ended June 30, 2022 and 2021. Those services were essential to the operating activities of the Organization.

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

---

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

*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* – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred.

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

*Property and Equipment* – It is the Organization's policy to capitalize property and equipment purchases over \$2,500 at cost. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor restricted, all donated property and equipment are reported as an increase in net assets without donor restrictions. 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 consolidated 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 consolidated 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 consolidated statements of activities.

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

# RENEWAL HOUSE, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

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

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

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

*Advertising* – Advertising costs are charged to expense as incurred. Advertising expense totaled \$24,796 and \$65,654 for the years ended June 30, 2022 and 2021, respectively.

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

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

*Recently Adopted Accounting Pronouncement* – In September 2020, FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022. There have been no donor restrictions placed on such contributions.

*Subsequent Events* – The Organization has evaluated subsequent events and transactions that occurred between June 30, 2022 and March 9, 2023, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

# RENEWAL HOUSE, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### Note 2—Revenue recognition

The Organization accounted for revenue under the provisions of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. Under ASC 606, revenue is recognized when the Organization performs services for a customer in an amount that reflects consideration that is expected to be received for those services.

*Performance Obligations and Revenue Recognition* – A performance obligation is a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when or as, the performance obligation is satisfied. The contract obligation for treatment services reimbursed through certain fee for service grants and managed care income is recognized at the time these services are provided to the customer.

*Treatment Services* – A portion of the Organization’s revenue is derived by providing services to women and their families under grant agreements. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the service is performed, the performance obligation is considered to have been met. Those transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the service purchased.

*Disaggregation of Revenue* – See the accompanying consolidated statements of activities.

### Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity available to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the consolidated statements of financial position comprise the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 4,676,188	\$ 10,025,660
Investments	1,901,289	2,034,120
Grants receivable	141,174	118,964
Contributions receivable	932,426	163,596
Total financial assets	7,651,077	12,342,340
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to designations	1,633,763	1,678,040
Net assets subject to restrictions	949,290	372,275
Total amounts not available to be used for general expenditures within one year:	2,583,053	2,050,315
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,068,024	\$ 10,292,025



**RENEWAL HOUSE, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

**Note 4—Contributions receivable**

Contributions receivable consists of the following as of June 30:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 853,788	\$ 92,125
Receivable in one to five years	78,638	71,471
Total contributions receivable	<u>\$ 932,426</u>	<u>\$ 163,596</u>

The Organization has conditional contributions of \$500,000 at June 30, 2022.

**Note 5—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:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 187,174	\$ -	\$ -	\$ 187,174
Common stock:				
Information technology	101,573	-	-	101,573
Healthcare	88,891	-	-	88,891
Industrial	94,547	-	-	94,547
Financials	67,392	-	-	67,392
Consumer staples	54,245	-	-	54,245
Telecommunications	43,238	-	-	43,238
Consumer discretionary	26,057	-	-	26,057
International	16,311	-	-	16,311
Domestic index	18,482	-	-	18,482
Energy	18,018	-	-	18,018
Total common stock	528,754	-	-	528,754
Fixed income	1,185,361	-	-	1,185,361
Total investments	\$ 1,901,289	\$ -	\$ -	\$ 1,901,289

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

**Note 5—Investments and fair value measurements (continued)**

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market	\$ 280,787	\$ -	\$ -	\$ 280,787
Common stock:				
Healthcare	120,955	-	-	120,955
Information technology	90,219	-	-	90,219
Industrial	101,239	-	-	101,239
Telecommunications	63,583	-	-	63,583
Financials	51,925	-	-	51,925
Consumer staples	66,924	-	-	66,924
Energy	27,494	-	-	27,494
International	21,913	-	-	21,913
Domestic index	22,596	-	-	22,596
Consumer discretionary	14,689	-	-	14,689
Total common stock	581,537	-	-	581,537
Fixed income	1,171,796	-	-	1,171,796
Total investments	\$ 2,034,120	\$ -	\$ -	\$ 2,034,120

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

	<b>2022</b>	<b>2021</b>
Interest and dividend income	\$ 40,483	\$ 41,130
Net realized/unrealized (loss) gain on investments	(173,314)	229,182
	<u>\$ (132,831)</u>	<u>\$ 270,312</u>

**Note 6—New markets tax credit intangible assets**

The Organization incurred certain audit fees and asset management fees related to its new markets tax credit (“NMTC”) financing in December 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third party administrator in the transaction, who is responsible for ensuring the Organization performs and complies with all aspects of the transaction requirements.

As of June 30, 2022 and 2021, the balances of the NMTC intangible assets and accumulated amortization are as follows:

	<b>2022</b>	<b>2021</b>
Asset management fee reserves	\$ 174,792	\$ 174,792
Audit fee reserves	100,000	100,000
Total intangible assets	274,792	274,792
Accumulated NMTC amortization	(58,884)	(19,628)
NMTC intangible assets, net	<u>\$ 215,908</u>	<u>\$ 255,164</u>

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

**Note 7—Property and equipment**

Property and equipment consists of the following at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 999,833	\$ 999,833
Building and improvements	9,166,351	1,293,172
Construction in progress	-	2,557,761
Furniture and equipment	397,178	397,178
	<u>10,563,362</u>	<u>5,247,944</u>
Less accumulated depreciation	(1,348,336)	(1,298,094)
Property and equipment, net	<u>\$ 9,215,026</u>	<u>\$ 3,949,850</u>

The Organization moved into the completed building on June 28, 2022 and placed the asset in service at a cost of \$7,866,579.

**Note 8—Note payable**

During December 2020, the Organization borrowed \$6,000,000 from a financial institution to finance a portion of its investment in the NMTC transaction (see Note 9). The note requires monthly interest only payments at a rate of prime rate minus 4%, plus principal payments due annually in the amount of capital campaign pledge payments received the prior calendar year, scheduled to mature December 28, 2035.

Balances outstanding at June 30 were as follows:

	<b>2022</b>	<b>2021</b>
Note payable	\$ 3,000,000	\$ 6,000,000
Debt issuance costs, net	(46,687)	(48,354)
Note payable, net	<u>\$ 2,953,313</u>	<u>\$ 5,951,646</u>

Future principal maturities of the note payable are as follows:

**Years Ending June 20,**

2023	\$ 1,353,788
2024	78,638
2025	24,247
2026	73,104
2027	73,655
Thereafter	<u>1,396,568</u>
Total principal maturities	3,000,000
Debt issuance costs	<u>(46,687)</u>
	<u>\$ 2,953,313</u>

# RENEWAL HOUSE, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

---

### **Note 9—New markets tax credit agreement**

During December 2020, the Organization entered into a NMTC agreement to assist with the construction of the new residential building and treatment center. All loans originated in the NMTC financing transactions are secured by substantially all assets and revenues of the Organization, whether owned as of the date of the agreement or thereafter.

During December 2020, the Organization entered into two debt agreements to borrow \$8,816,250 from PCDC Health Opportunities Fund XXXI LLC. The notes require quarterly interest only payments at 1% per annum until December 2027. Thereafter, quarterly principal and interest payments totaling approximately \$107,000 are due until December 2050. Financing fees deferred related to the notes totaled \$438,135, with \$62,590 and \$31,295 amortized during the years ended June 30, 2022 and 2021, respectively. The notes contain certain nonfinancial covenants which require management's representations that the loans will qualify as a "qualified low-income community investment" based on the ongoing activities of the Organization and its continuing mission.

The debt is associated with a put option feature under an option agreement between the Organization and USB NMTC Fund 2020-06, LLC ("Investor") that is expected to be exercised in 2027 that will effectively extinguish the liability from the Organization. Under the terms of the option agreement, Investor is expected to put its ownership interest into PCDC Health Opportunities Fund XXXI LLC for \$1,000, during the six-month period beginning December 2027. Exercise of this option will effectively extinguish the Organization's outstanding debt owed to PCDC Health Opportunities Fund XXXI LLC. The Organization will recognize income on the forgiveness of debt in an amount approximating the difference in book value of the receivable discussed below and the debt. The receivable and debt will then come off the Organization's books. Renewed By You will then be dissolved effectively ending the structured financing deal.

Furthermore, the Organization provided a loan of \$6,708,700 to PCDC Health Opportunities Fund XXXI LLC. The loan is evidenced by a promissory note receivable from PCDC Health Opportunities Fund XXXI LLC, accruing interest at .86% per annum, and requiring quarterly interest only payments until December 2027 at which point the loan will begin to amortize on a straight-line basis through maturity in December 2046.

### **Note 10—Deferred grant revenue**

The Organization received a Paycheck Protection Program ("PPP") loan in the amount of \$240,420. The PPP loan is granted by the United States Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization completed the forgiveness application process upon completion of the applicable 24-week period and reflected the original loan amounts as revenues from government grants on the statement of activities for the year ended June 30, 2021. The Organization received notice of forgiveness from the SBA on July 28, 2021.

### **Note 11—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.

# RENEWAL HOUSE, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### Note 12—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, 2022, the Organization received approximately 51% of contributions from three donors. During the year ended June 20, 2021, the Organization received approximately 67% of contributions from five donors.

### Note 13—Contributed nonfinancial assets

Contributed nonfinancial assets received by the organization are recorded based on their estimated value. The Organization received \$65,000 of client assistance related to medical services.

The Organization recognized nonfinancial assets within revenue as nonfinancial contributions. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

An individual contributes time as a medical professional for the Organization. The Organization valued the contribution based on estimated costs to pay for these services.

### Note 13—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 \$13,357 and \$8,927 for the years ended June 30, 2022 and 2021, respectively.

### Note 14—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 \$633,763 and \$678,040 at June 30, 2022 and 2021, respectively. In addition, the board-designated capital reserve assets totaled \$1,000,000 at June 30, 2022 and 2021. Designated net assets totaled \$1,633,763 and \$1,678,040 at June 30, 2022 and 2021, respectively.

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

	2022	2021
Treatment of women with opioid addictions	\$ 2,334	\$ 158,679
Capital campaign	932,426	-
Contributions	14,530	213,596
	<u>\$ 949,290</u>	<u>\$ 372,275</u>

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

---

**Note 15—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 \$23,354 and \$26,507 at June 30, 2022 and 2021, respectively.

**Note 16—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 \$38,368 and \$201,877 to this firm during the years ended June 30, 2022 and 2021, respectively.

## **SUPPLEMENTARY INFORMATION**

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

*YEAR ENDED JUNE 30, 2022*

	<b>Renewal House, Inc.</b>	<b>Renewed By You, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,234,792	\$ 441,396	\$ -	\$ 4,676,188
Investments	1,901,289	-	-	1,901,289
Grants receivable	141,174	-	-	141,174
Contributions receivable, current	1,058,440	-	(204,652)	853,788
Prepaid expenses	34,175	-	-	34,175
Total Current Assets	7,369,870	441,396	(204,652)	7,606,614
Contributions receivable	78,638	-	-	78,638
Investment in Renewed By You, Inc.	340,000	-	(340,000)	-
New markets tax credit intangible assets, net	-	215,908	-	215,908
New markets tax credit note receivable	6,708,700	-	-	6,708,700
Property and equipment, net	1,095,484	8,206,579	(87,037)	9,215,026
<b>Total Assets</b>	<b>\$ 15,592,692</b>	<b>\$ 8,863,883</b>	<b>\$ (631,689)</b>	<b>\$ 23,824,886</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 130,071	\$ 204,652	\$ (204,652)	\$ 130,071
Note payable, net	2,953,313	-	-	2,953,313
New markets tax credit debt, net	-	8,440,705	-	8,440,705
<b>Total Liabilities</b>	<b>3,083,384</b>	<b>8,645,357</b>	<b>(204,652)</b>	<b>11,524,089</b>
Net Assets:				
Without Donor Restrictions:				
Undesignated	9,926,255	218,526	(427,037)	9,717,744
Designated	1,633,763	-	-	1,633,763
Total Without Donor Restrictions	11,560,018	218,526	(427,037)	11,351,507
With Donor Restrictions	949,290	-	-	949,290
Total Net Assets	12,509,308	218,526	(427,037)	12,300,797
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,592,692</b>	<b>\$ 8,863,883</b>	<b>\$ (631,689)</b>	<b>\$ 23,824,886</b>



**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

*YEAR ENDED JUNE 30, 2021*

	<b>Renewal House, Inc.</b>	<b>Renewed By You, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,170,736	\$ 5,854,924	\$ -	\$ 10,025,660
Investments	2,034,120	-	-	2,034,120
Grants receivable	118,964	-	-	118,964
Contributions receivable, current	401,487	-	(309,362)	92,125
Prepaid expenses	13,231	-	-	13,231
Total Current Assets	6,738,538	5,854,924	(309,362)	12,284,100
Contributions receivable	71,471	-	-	71,471
Investment in Renewed By You, Inc.	340,000	-	(340,000)	-
New markets tax credit intangible assets, net	-	255,164	-	255,164
New markets tax credit note receivable	6,708,700	-	-	6,708,700
Property and equipment, net	1,139,126	2,897,761	(87,037)	3,949,850
<b>Total Assets</b>	<b>\$ 14,997,835</b>	<b>\$ 9,007,849</b>	<b>\$ (736,399)</b>	<b>\$ 23,269,285</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 276,770	\$ 309,362	\$ (309,362)	\$ 276,770
Note payable, net	5,951,646	-	-	5,951,646
New markets tax credit debt, net	-	8,409,410	-	8,409,410
<b>Total Liabilities</b>	<b>6,228,416</b>	<b>8,718,772</b>	<b>(309,362)</b>	<b>14,637,826</b>
Net Assets:				
Without Donor Restrictions:				
Undesignated	6,719,104	289,077	(427,037)	6,581,144
Designated	1,678,040	-	-	1,678,040
Total Without Donor Restrictions	8,397,144	289,077	(427,037)	8,259,184
With Donor Restrictions	372,275	-	-	372,275
Total Net Assets	8,769,419	289,077	(427,037)	8,631,459
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,997,835</b>	<b>\$ 9,007,849</b>	<b>\$ (736,399)</b>	<b>\$ 23,269,285</b>

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2022*

	Renewal House, Inc.			Renewed By You, Inc.			Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenue and Other Support:								
Contributions	\$ 549,191	\$ 2,448,876	\$ 2,998,067	\$ -	\$ -	\$ -	\$ -	\$ 2,998,067
Federal and state grants	1,374,934	1,000,000	2,374,934	-	-	-	-	2,374,934
Special events, net of direct cost \$50,618	132,464	-	132,464	-	-	-	-	132,464
Nonfinancial contributions	65,000	-	65,000	-	-	-	-	65,000
Rental income	75,066	-	75,066	-	-	-	-	75,066
Managed care income	42,896	-	42,896	-	-	-	-	42,896
Investment loss	(132,831)	-	(132,831)	-	-	-	-	(132,831)
Other income	6,047	-	6,047	-	-	-	-	6,047
Net assets released from restrictions	2,871,861	(2,871,861)	-	-	-	-	-	-
Total Revenue and Other Support from Operations	4,984,628	577,015	5,561,643	-	-	-	-	5,561,643
Expenses:								
Program services	1,357,108	-	1,357,108	70,551	-	70,551	-	1,427,659
Supporting Services:								
Management and general	313,362	-	313,362	-	-	-	-	313,362
Fundraising	151,284	-	151,284	-	-	-	-	151,284
Total Supporting Services	464,646	-	464,646	-	-	-	-	464,646
Total Expenses	1,821,754	-	1,821,754	70,551	-	70,551	-	1,892,305
Change in net assets	3,162,874	577,015	3,739,889	(70,551)	-	(70,551)	-	3,669,338
Net assets, beginning of year	8,397,144	372,275	8,769,419	289,077	-	289,077	(427,037)	8,631,459
Net assets, end of year	\$ 11,560,018	\$ 949,290	\$ 12,509,308	\$ 218,526	\$ -	\$ 218,526	\$ (427,037)	\$ 12,300,797

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2021*

	Renewal House, Inc.			Renewed By You, Inc.			Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Revenue and Other Support:								
Contributions	\$ 271,375	\$ 2,333,476	\$ 2,604,851	\$ -	\$ -	\$ -	\$ -	\$ 2,604,851
Federal and state grants	1,548,832	-	1,548,832	-	-	-	-	1,548,832
Special events, net of direct cost \$26,226	106,916	-	106,916	-	-	-	-	106,916
Nonfinancial contributions	65,000	-	65,000	-	-	-	-	65,000
Rental income	75,556	-	75,556	-	-	-	-	75,556
Managed care income	39,178	-	39,178	-	-	-	-	39,178
Investment income	270,312	-	270,312	-	-	-	-	270,312
Other income	10,143	-	10,143	-	-	-	-	10,143
Gain on transfer of land	87,037	-	87,037	-	-	-	(87,037)	-
Net assets released from restrictions	2,925,703	(2,925,703)	-	-	-	-	-	-
Total Revenue and Other Support from Operations	5,400,052	(592,227)	4,807,825	-	-	-	(87,037)	4,720,788
Expenses:								
Program services	1,493,072	-	1,493,072	-	-	-	-	1,493,072
Supporting Services:								
Management and general	326,876	-	326,876	-	-	-	-	326,876
Fundraising	229,294	-	229,294	50,923	-	50,923	-	280,217
Total Supporting Services	556,170	-	556,170	50,923	-	50,923	-	607,093
Total Expenses	2,049,242	-	2,049,242	50,923	-	50,923	-	2,100,165
Change in net assets	3,350,810	(592,227)	2,758,583	(50,923)	-	(50,923)	(87,037)	2,620,623
Investment in Renewed By You, Inc.	-	-	-	340,000	-	340,000	(340,000)	-
Net assets, beginning of year	5,046,334	964,502	6,010,836	-	-	-	-	6,010,836
Net assets, end of year	\$ 8,397,144	\$ 372,275	\$ 8,769,419	\$ 289,077	\$ -	\$ 289,077	\$ (427,037)	\$ 8,631,459

## **COMPLIANCE INFORMATION**

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

YEAR ENDED JUNE 30, 2022

<b>Federal Grantor/Pass-Through Grantor</b>	<b>Program Name</b>	<b>Federal Assistance Listing Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>FEDERAL AWARDS</b>				
U.S. Dept. of Homeland Security	Emergency Food and Shelter National Board Program	97.024	N/A	\$ 17,211
U.S. Dept. of Health and Human Services Passed Through:				
TN Dept. of Mental Health and Substance Abuse Services	Tennessee Prevention Network - COVID Supplement	93.959	69867	9,427
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	65807	56,000
TN Dept. of Mental Health and Substance Abuse Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	69868	733,442
Total for Assistance Listing No. 93.959				798,869
TN Dept. of Mental Health and Substance Abuse Services	TN Coord Response to Pregnant/Postpartum Substance Abuse	93.243	68001	144,391
Total for Assistance Listing No. 93.243				144,391
TN Dept. of Human Services	Client Residential Treatment Services	93.558	70811	234,106
Total U.S. Dept. of Health and Human Services				1,177,366
TN Dept. of Health	Maternal Mortality Action Project	93.478	73724	3,962
Total Federal Awards				1,198,539
<b>STATE AWARDS</b>				
TN General Assessbly	General Appropriation	N/A	N/A	1,000,000
TN Dept. of Children's Services	Family Preservation and Addiction Recovery	N/A	52525	131,750
TN Dept. of Mental Health and Substance Abuse Services	Early Intervention and Prevention Program	N/A	66278	34,000
TN Dept. of Mental Health and Substance Abuse Services	Access to Recovery	N/A	69860	10,645
Total State Awards				1,176,395
Total Federal and State Awards				\$ 2,374,934

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

## **RENEWAL HOUSE, INC. AND AFFILIATE**

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

*JUNE 30, 2022*

---

#### **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. and Affiliate (the "Organization") for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the 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"). 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 2022 in the form of noncash assistance.

#### **Note 3—Subrecipients**

The Organization did not have any expenditures to subrecipients during the fiscal year.

#### **Note 4—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. and Affiliate  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Renewal House, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 9, 2023.

**Report on Internal Control over Financial Reporting**

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

*Cherry Bekaert LLP*

Nashville, Tennessee

March 9, 2023



## **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. and Affiliate  
Nashville, Tennessee

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

#### ***Opinion on Each Major Federal Program***

We have audited Renewal House, Inc. and Affiliate's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Cherry Bekaert LLP*

Nashville, Tennessee  
March 9, 2023

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2022

---

**Section I—Summary of Auditor's Results**

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

**Assistance Listing 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. and Affiliate was determined not to be a low-risk auditee.

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2022*

---

**Section II—Findings Related to the Financial Statement Audit**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with *Government Accounting Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

**Section III—Findings and Questioned Cost for Federal Award Programs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse of findings, related to the audit of major programs, as required to be reported by 2 CFR Section 200.156(a).

There were no findings required to be reported by 2 CFR Section 200.516(a).

**RENEWAL HOUSE, INC. AND AFFILIATE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2022*

---

**Section IV—Prior Year Audit Findings**

**Finding 2021-001 – Audit Adjustments**

*Finding:* During the audit, the independent auditor proposed material adjustments necessary to properly record transactions for the new markets tax credit transaction ("NMTC Transaction").

*Status:* The finding was corrected during the year ended June 30, 2022.