

ABE'S GARDEN
FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS
DECEMBER 31, 2021

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INDEPENDENT AUDITOR’S REPORTS

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ABE'S GARDEN

BOARD OF DIRECTORS 2021

Michael Shmerling
Chairman

Chris Coelho
Interim Executive Director

Donald Holmes
Vice Chairman

Donna Finto-Banks
Senior Director of Clinical Care

Susan Foxman
Secretary

Donna Coleman
Senior Director of Development

Phillip Billington
Treasurer

Bob Himes
Senior Director of Finance

Ron Corbin

Jim Daniell

Scott Burns

Faith Ott

Bill Purcell

Saurabh Sinha

Steve Moran

Chris Brown

Katie Crumbo

Kim Campbell

James Phillips

John Zeisel

James Shmerling

Mary Kate Mouser

Jayne Sallerson

Charlotte Nesbitt Langford

John Hassenfeld

Bernard Pargh

Ryan Moses

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Abe's Garden
Nashville, Tennessee

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

We have audited the accompanying financial statements of Abe's Garden (the "Organization") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2021, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR QUALIFIED OPINION

As more fully described in Note 19, the Organization recognized conditional grant revenue at the time the cash was received as opposed to when the grant terms were substantially met. If the Organization had recognized grants in accordance with accounting principles generally accepted in the United States of America in the proper period, contributions and grants would have been reduced by \$1,820,498 and net assets without donor restrictions at the beginning of the year would have been increased by \$1,820,498.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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, internal 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 financial statements.

In performing an audit in accordance with GAAS 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that 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.

REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes on pages 28-29 as required by Title 2 U.S. *Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information on pages 28-29 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information in the annual report. The other information comprises the board of directors listing on page i but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express and opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are requested to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDIT STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of the Organization's internal control over financial reporting and 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.

KraftCPAs PLLC

Nashville, Tennessee
September 15, 2022

ABE'S GARDEN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,226,945
Investments	2,123,656
Accounts receivable	21,438
Current contributions receivable, net	107,857
Current capital campaign - unconditional promises to give, net	117,857
Inventory	175,624
Prepaid expenses	<u>21,896</u>

TOTAL CURRENT ASSETS	3,795,273
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Property and equipment, net	31,249,336
Non-current contributions receivable, net	87,857
Non-current capital campaign - unconditional promises to give, net	972,208
Other assets	<u>71,167</u>

TOTAL ASSETS	<u>\$ 36,175,841</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of bonds payable	\$ 875,000
Current portion of capital lease	8,522
Accounts payable	127,157
Accrued expenses	374,213
Contract liabilities	889,032
Resident assistance fund	<u>323,138</u>

TOTAL CURRENT LIABILITIES	2,597,062
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Related party - notes payable	1,363,060
Related party - line of credit	2,776,830
Fair value of interest rate swap agreements	260,919
Bonds payable, net of current portion and unamortized debt issuance costs	17,477,421
Capital lease, net of current portion	<u>34,533</u>

TOTAL LIABILITIES	<u>24,509,825</u>
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NET ASSETS

Net assets with donor restrictions	1,936,450
Net assets without donor restrictions	<u>9,729,566</u>

TOTAL NET ASSETS	<u>11,666,016</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,175,841</u>
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See accompanying notes to the financial statements.

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Residential rent	\$ 8,487,537	\$ -	\$ 8,487,537
Services to residents	857,797	-	857,797
Contributions and grants	3,268,807	1,890,986	5,159,793
In-kind contributions	143,262	-	143,262
Investment income, net	65,763	-	65,763
Change in fair value on interest rate swap agreements	327,098	-	327,098
Released from restriction	<u>711,005</u>	<u>(711,005)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>13,861,269</u>	<u>1,179,981</u>	<u>15,041,250</u>
EXPENSES			
Program services	8,449,381	-	8,449,381
Supporting services:			
Management and general	1,718,625	-	1,718,625
Fundraising	<u>786,424</u>	<u>-</u>	<u>786,424</u>
TOTAL EXPENSES	<u>10,954,430</u>	<u>-</u>	<u>10,954,430</u>
CHANGE IN NET ASSETS	2,906,839	1,179,981	4,086,820
NET ASSETS - BEGINNING OF YEAR	<u>6,822,727</u>	<u>756,469</u>	<u>7,579,196</u>
NET ASSETS - END OF YEAR	<u>\$ 9,729,566</u>	<u>\$ 1,936,450</u>	<u>\$ 11,666,016</u>

See accompanying notes to the financial statements.

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 4,902,206	\$ 348,619	\$ 259,841	\$ 5,510,666
Employee benefits	665,934	48,151	24,444	738,529
Payroll taxes	373,318	24,411	19,493	417,222
TOTAL SALARIES AND RELATED EXPENSES	5,941,458	421,181	303,778	6,666,417
Advertising	90,156	-	-	90,156
Dues and subscriptions	6,619	14,672	1,367	22,658
Contracted services	320,195	67,594	462,595	850,384
Depreciation	701,644	444,761	1,370	1,147,775
Education and technology	15,036	-	100	15,136
Food	525,150	-	-	525,150
Insurance	117,862	10,507	-	128,369
Interest	-	703,330	-	703,330
Licenses and fees	2,370	11,554	573	14,497
Miscellaneous	12,977	-	-	12,977
Payroll fees	41,492	1,069	1,955	44,516
Postage	1,958	218	6,440	8,616
Printing	11,489	552	7,385	19,426
Property taxes	107,230	11,914	-	119,144
Repairs and maintenance	80,352	-	-	80,352
Supplies	152,731	616	501	153,848
Telephone and cable	28,664	2,914	46	31,624
Travel and meetings	5,795	476	314	6,585
Utilities	286,203	27,267	-	313,470
TOTAL EXPENSES	\$ 8,449,381	\$ 1,718,625	\$ 786,424	\$ 10,954,430

See accompanying notes to the financial statements.

ABE'S GARDEN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 4,086,820
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(54,998)
Depreciation	1,147,775
Amortization of debt issuance cost	12,664
Grant income	-
Capital campaign contributions	(1,775,000)
Decrease (increase) in:	
Accounts receivable	28,687
Contributions receivable	200,763
Inventory	(1,830)
Prepaid expenses	(3,013)
Increase (decrease) in:	
Accounts payable	(37,848)
Accrued expenses	(77,267)
Deferred grant revenue	(24,194)
Contract liabilities	52,089
Resident assistance fund	90,320
TOTAL ADJUSTMENTS	(441,852)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,644,968

CASH FLOWS FROM INVESTING ACTIVITIES

Change in fair value on interest rate swap agreements	(327,098)
Acquisition of property and equipment	(716,230)
Purchases of investments	(3,997,795)
Proceeds from sale of investments	1,931,233
NET CASH USED IN INVESTING ACTIVITIES	(3,109,890)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on bonds payable	(875,000)
Proceeds from contributions restricted for long-term purposes	284,935
Principal payments on capital leases	(3,428)
NET CASH USED IN FINANCING ACTIVITIES	(593,493)

DECREASE IN CASH AND CASH EQUIVALENTS (58,415)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,898,393

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,839,978

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid \$ 701,365

NONCASH ACTIVITIES:

Construction in-progress acquired within accounts payable	\$ 29,756
Property and equipment acquired by capital lease	\$ 46,482
Capital campaign contribution via line of credit reduction	\$ 400,000

See accompanying notes to the financial statements.