

ABE'S GARDEN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017 AND 2016

ABE'S GARDEN

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**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Abe's Garden
Nashville, Tennessee

We have audited the accompanying financial statements of Abe's Garden, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bellenfant, PLLC

April 10, 2018

ABE'S GARDEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,245,543	\$ 1,209,671
Accounts Receivable	79,109	52,884
Pledges Receivable	104,618	336,078
Inventory	168,047	121,183
Prepaid Expenses	50,210	44,519
	<u>1,647,527</u>	<u>1,764,335</u>
Land, Building and Equipment	36,653,244	36,595,385
Less: Accumulated Depreciation	<u>(4,253,768)</u>	<u>(3,237,096)</u>
	<u>32,399,476</u>	<u>33,358,289</u>
Noncurrent Assets		
Pledges Receivable, Due after One Year	29,850	38,886
Closing Costs, Net of Amortization	304,485	317,148
Other Assets	<u>66,667</u>	<u>66,667</u>
	<u>401,002</u>	<u>422,701</u>
Total Assets	<u><u>\$ 34,448,005</u></u>	<u><u>\$ 35,545,325</u></u>

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

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2017 AND 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Current Portion of Bonds Payable	\$ 850,000	\$ 850,000
Accounts Payable and Accrued Expenses	483,964	428,767
Deferred Grant Revenue	92,772	100,000
Resident Deposits	658,274	640,977
Property Tax Accrual	67,026	63,497
Line of Credit	1,400,000	1,900,000
Resident Assistance Fund	243,645	247,458
	<hr/>	<hr/>
Total Current Liabilities	3,795,681	4,230,699
	<hr/>	<hr/>
Noncurrent Liabilities		
Notes Payable	1,363,122	1,363,122
Derivative Financial Instruments	74,042	235,063
Non-Current Portion of Bonds Payable (Series 2011)	9,800,000	10,200,000
Non-Current Portion of Bonds Payable (Series 2014)	11,600,000	12,050,000
	<hr/>	<hr/>
Total Noncurrent Liabilities	22,837,164	23,848,185
	<hr/>	<hr/>
Total Liabilities	26,632,845	28,078,884
	<hr/>	<hr/>
Net Assets		
Unrestricted	7,815,160	7,466,441
	<hr/>	<hr/>
Total Net Assets	7,815,160	7,466,441
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 34,448,005	\$ 35,545,325
	<hr/>	<hr/>

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Residential Rent	8,232,804	\$ -	\$ 8,232,804
Contributions	1,298,848	-	1,298,848
Services Sold to Residents	1,151,194	-	1,151,194
Gain/Loss on Investments	8,319	-	8,319
	<u>10,691,165</u>	<u>-</u>	<u>10,691,165</u>
Expenses			
Program Services	8,363,187	-	8,363,187
Supporting Services			
Management and General	1,456,366	-	1,456,366
Fundraising	524,251	-	524,251
	<u>10,343,804</u>	<u>-</u>	<u>10,343,804</u>
Other Income			
Interest Income	1,358	-	1,358
	<u>1,358</u>	<u>-</u>	<u>1,358</u>
Change in Net Assets	348,719	-	348,719
Net Assets, January 1, 2017	7,466,441	-	7,466,441
Net Assets, December 31, 2017	<u>\$ 7,815,160</u>	<u>\$ -</u>	<u>\$ 7,815,160</u>

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Residential Rent	7,885,098	\$ -	\$ 7,885,098
Contributions	459,311	-	459,311
Services Sold to Residents	852,370	-	852,370
Gain/Loss on Investments	140	-	140
	<u>9,196,919</u>	<u>-</u>	<u>9,196,919</u>
Expenses			
Program Services	8,145,607	-	8,145,607
Supporting Services			
Management and General	1,453,678	-	1,453,678
Fundraising	325,356	-	325,356
	<u>9,924,641</u>	<u>-</u>	<u>9,924,641</u>
Other Income			
Interest Income	17,997	-	17,997
	<u>17,997</u>	<u>-</u>	<u>17,997</u>
Change in Net Assets	(709,725)	-	(709,725)
Net Assets, January 1, 2016	8,176,166	-	8,176,166
Net Assets, December 31, 2016	<u>\$ 7,466,441</u>	<u>\$ -</u>	<u>\$ 7,466,441</u>

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

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,762,011	\$ -	\$ 297,003	\$ 5,059,014
Employee Benefits	612,035	15,974	27,840	655,849
Payroll Taxes	372,884	-	20,590	393,474
Total Salaries and Benefits	5,746,930	15,974	345,433	6,108,337
Advertising	55,636	-	12,750	68,386
Amortization	3,612	4,052	5,000	12,664
Depreciation	571,911	444,761	-	1,016,672
Education and Technology	17,160	-	117,222	134,382
Food	559,320	-	-	559,320
Insurance	100,166	4,352	-	104,518
Interest	-	851,076	-	851,076
Licenses and Fees	4,751	218	240	5,209
Meetings	-	119	492	611
Miscellaneous	5,604	-	-	5,604
Payroll Fees	127,814	-	2,973	130,787
Postage	2,801	-	4,304	7,105
Printing	7,969	-	10,044	18,013
Property Taxes	84,000	-	-	84,000
Contracted Services	418,784	134,097	9,253	562,134
Repairs and Maintenance	161,490	-	624	162,114
Supplies	131,059	-	10,739	141,798
Telephone and Cable	28,574	-	-	28,574
Travel	18,787	1,717	5,177	25,681
Utilities	316,819	-	-	316,819
Total Functional Expenses	\$ 8,363,187	\$ 1,456,366	\$ 524,251	\$ 10,343,804

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

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,758,839	\$ -	\$ 214,308	\$ 4,973,147
Employee Benefits	481,263	56,576	22,409	560,248
Payroll Taxes	359,061	-	15,320	374,381
Total Salaries and Benefits	5,599,163	56,576	252,037	5,907,776
Advertising	66,102	-	7,749	73,851
Amortization	3,612	4,052	5,000	12,664
Depreciation	566,664	444,991	-	1,011,655
Education and Technology	19,255	-	-	19,255
Food	539,358	-	-	539,358
Insurance	79,352	4,352	-	83,704
Interest	31,018	797,738	-	828,756
Licenses and Fees	5,140	-	240	5,380
Meetings	152	-	8,929	9,081
Miscellaneous	7,549	670	1,411	9,630
Payroll Fees	101,627	-	4,313	105,940
Postage	2,013	-	7,518	9,531
Printing	11,209	-	15,156	26,365
Property Taxes	141,129	-	-	141,129
Contracted Services	270,322	143,609	12,388	426,319
Repairs and Maintenance	142,231	-	572	142,803
Supplies	176,457	-	9,547	186,004
Telephone and Cable	28,677	-	-	28,677
Travel	46,476	1,690	496	48,662
Utilities	308,101	-	-	308,101
Total Functional Expenses	<u>\$ 8,145,607</u>	<u>\$ 1,453,678</u>	<u>\$ 325,356</u>	<u>\$ 9,924,641</u>

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

ABE'S GARDEN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2017 AND 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in Net Assets	\$ 348,719	\$ (709,725)
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	1,016,672	1,011,655
(Increase) Decrease in:		
Accounts Receivable	(26,225)	52,816
Pledges Receivable	240,496	186,054
Prepaid Expenses	(5,691)	(42,541)
Inventory	(46,864)	(5,585)
Other Assets	12,663	12,664
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	55,197	(2,781)
Tenant Deposits	17,297	(744)
Accrued Interest	-	(2,222)
Tax Accruals	3,529	59,597
Deferred Grant Revenue	(7,228)	100,000
Resident Assistance Fund	(3,813)	(2,542)
Derivative Financial Instruments	<u>(161,021)</u>	<u>(9,615)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,443,731</u>	<u>647,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	<u>(57,859)</u>	<u>(144,460)</u>
Net Cash Used by Investing Activities	<u>(57,859)</u>	<u>(144,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(850,000)	(400,000)
Payments made on Line of Credit	<u>(500,000)</u>	<u>(732,981)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,350,000)</u>	<u>(1,132,981)</u>
Net Increase (Decrease) in Cash	35,872	(630,410)
Cash, beginning of year	<u>1,209,671</u>	<u>1,840,081</u>
Cash, end of year	<u>\$ 1,245,543</u>	<u>\$ 1,209,671</u>

Supplemental Cash Flows Information:

During the years ended December 31, 2017 and 2016, the Organization paid interest of \$851,076 and \$828,756, respectively.

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Abe's Garden ("the Organization") is a nonprofit organization incorporated in Tennessee that is a luxury, independent senior citizen living community specializing in Alzheimer's and adult care. The Organization was founded on May 25, 2007.

Classification of Restricted and Unrestricted Net Assets:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of December 31, 2017 or 2016.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2017 or 2016.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2017 and 2016 were \$68,386 and \$73,851, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation:

It is the Organization's policy to capitalize property and equipment over \$500. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as increases 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 equipment to 40 years for building and building improvements.

Income Taxes:

Abe's Garden is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

The Organization files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Organization's returns for the years prior to calendar year 2014 are no longer open for examination.

Cash:

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Assets and Services:

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising campaigns. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills. These services would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received. Contributions of \$40,804 and \$60,591 were recorded as in-kind for the year ended December 31, 2017 and 2016, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and pledges receivable. Cash deposits are primarily in financial institutions in Tennessee and at times, may exceed FDIC limits. The balance of an interest bearing account exceeded federally insured amounts by \$866,502 and \$710,109 as of December 31, 2017 and 2016, respectively. Concentrations of credit risk with respect to pledges receivable are limited to donors in the Nashville area. Management does not believe that significant credit risk exists at December 31, 2017 and 2016.

Accounts and Pledges Receivable:

Accounts and pledges to be received within the next 12 months, or with restrictions that have been met at year-end are classified as current assets. Pledges designated by the donor to be received more than 12 months after year-end have been classified as noncurrent assets. Abe's Garden does not require collateral or other security to support the receivables, nor does it accrue interest on any of its receivables. Management has evaluated all outstanding pledges at December 31, 2017 and 2016, and determined that no additional allowance is considered necessary.

2. LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at December 31, is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	27,479,033	27,453,797
Equipment	<u>1,901,936</u>	<u>1,869,313</u>
	36,653,244	36,595,385
Less: Accumulated Depreciation	<u>(4,253,768)</u>	<u>(3,237,096)</u>
Land, Building and Equipment - net	<u>\$32,399,476</u>	<u>\$33,358,289</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 2017. Related party pledges receivable due in the next fiscal year are reflected as current, whereas, pledges due in subsequent years are reflected as long-term. The net present value of the related party pledges discounted at 2.88% is \$31,291. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 32,400	\$ 35,000
Less discount to net present value	<u>(1,109)</u>	<u>(3,842)</u>
	<u>\$ 31,291</u>	<u>\$ 31,158</u>
Amounts due in:		
Less than one year	\$ 27,400	\$ 28,333
One to five years	<u>5,000</u>	<u>6,667</u>
	<u>\$ 32,400</u>	<u>\$ 35,000</u>

Notes Payable

A partnership in which a board member is a controlling partner, loaned \$1,600,000 to the Organization that matures January 15, 2021. Interest of \$56,304 and \$48,157 was paid on the loan in the year ended December 31, 2017 and 2016, respectively. The balance as of December 31, 2017 and 2016 was \$1,363,122.

Line of Credit

A partnership in which a board member is a controlling partner, financed a line of credit with the Organization. Interest of \$73,228 and \$61,183 was paid on the line of credit in the year ended December 31, 2017 and 2016, respectively. The balance as of December 31, 2017 and 2016 was \$1,400,000 and \$1,900,000, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

4. RETIREMENT PLAN

The Organization has a 401(k) Retirement Savings Plan under which the Company is required to match 10% of employee contributions up to the maximum amount allowed by the Internal Revenue Service guidelines. The Company's contribution was \$9,874 and \$9,880 for the years ended December 31, 2017 and 2016, respectively.

5. NOTE PAYABLE

Note Payable to a privately owned partnership, dated January 15, 2008 in the amount of \$1,600,000, due in interest only payments starting February 15, 2008 at a rate of 5.5%. All principal and interest is due and payable on January 15, 2021. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.

2017

2016

1,363,122

1,363,122

As of December 31, 2017, the note payable matures as follows:

2021

\$ 1,363,122

\$ 1,363,122

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

6. BONDS PAYABLE

The Organization has tax-exempt bonds payable (Series 2011) which were issued by The Health and Education Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, the original trustee. The principal amount of the bonds was used to refinance a loan with a commercial bank of \$10,600,000 and to provide additional funds for the development of the Abe's Garden Project. In 2011 the bonds were purchased from the original trustee by SunTrust Bank (the Bank). The Organization has signed a loan agreement with the Bank that stipulates payment terms relating to principal and interest. The bonds mature on September 1, 2036. Interest is based on the highest of three prevailing indexes (3.4% as of December 31, 2017). The bonds are secured by the land and building of Abe's Garden Project.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 40 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2017, the Organization was in compliance with the debt covenants.

		As of December 31, 2017, Bonds Payable (Series 2011) mature as follows:	
Total Bonds Payable	\$10,200,000		
Less Current Portion	<u>400,000</u>	2018	\$ 400,000
		2019	500,000
Non-Current Portion of	<u>\$ 9,800,000</u>	2020	400,000
Bonds Payable		2021	400,000
		2022	400,000
		2023 and thereafter	<u>8,100,000</u>
			<u>\$10,200,000</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

6. BONDS PAYABLE (CONTINUED)

The Organization has tax-exempt bonds payable (Series 2014) which were issued by The Health and Education Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, the original trustee. The principal amount of the bonds is \$12,500,000 which will be used to fund a loan with a commercial bank. That loan is to be used for continuing development of the Abe's Garden Project. The amount drawn on such indebtedness as of December 31, 2015 was \$12,500,000. Advances received on the debt are treated as a line of credit until the indebtedness reaches \$12,500,000. Interest is accrued at the rate of 3.4%.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 40 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2017, the Organization was in compliance with the debt covenants.

Total Bonds Payable	\$12,050,000	As of December 31, 2017, Bonds Payable	
Less Current Portion	<u>450,000</u>	(Series 2014) mature as follows:	
		2018	\$ 450,000
		2019	562,500
Non-Current Portion of	<u>\$11,600,000</u>	2020	456,250
Bonds Payable		2021	475,000
		2022	475,000
		2023 and thereafter	<u>9,631,250</u>
			<u>\$12,050,000</u>

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 10, 2018, which is the date the financial statements were available to be issued.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$22.25 million as of December 31, 2017 and \$23.1 million as of December 31, 2016. Interest rate swap agreements are used by the Organization to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. The interest rate swap agreements are derivative instruments that are required to be marked to fair value and recorded on the statement of financial position. As of December 31, 2017 and 2016, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2016 through 2024, totaled \$18,111,885.

2017

As of December 31, 2017, the fair value of the interest rate swap agreements was an liability of \$74,042 and is included in noncurrent liabilities in the accompanying statements of financial position. The change in fair value on these interest rate swap agreements was a gain of \$161,021 for the year ended December 31, 2017 and is included in the statements of activities as interest expense.

The overall impacts of fluctuations in the fair value of the swap arrangement were as follows:

Liability for Derivative Financial Instruments, January 1, 2017	\$ (235,063)
Gain on interest rate swap	<u>161,021</u>
Liability for Derivative Financial Instruments, December 31, 2017	<u>\$ (74,042)</u>
Interest Paid on Debt	\$ 1,012,097
Gain on interest rate swap	<u>(161,021)</u>
Interest expense, per statement of functional expenses	<u>\$ 851,076</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2017 AND 2016

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2016

As of December 31, 2016, the fair value of the interest rate swap agreements was an liability of \$235,063 and is included in noncurrent liabilities in the accompanying statements of financial position. The change in fair value on these interest rate swap agreements was a gain of \$9,615 for the year ended December 31, 2016 and is included in the statements of activities as interest expense.

The overall impacts of fluctuations in the fair value of the swap arrangement were as follows:

Asset for Derivative Financial Instruments, January 1, 2016	\$ (244,678)
Gain on interest rate swap	<u>9,615</u>
Liability for Derivative Financial Instruments, December 31, 2016	<u>\$ (235,063)</u>
Interest Paid on Debt	\$ 838,371
Gain on interest rate swap	<u>(9,615)</u>
Interest expense, per statement of functional expenses	<u>\$ 828,756</u>