

ABE'S GARDEN

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

DECEMBER 31, 2020 AND 2019

ABE'S GARDEN

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**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2020 and 2019, 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, 2020 and 2019, 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

Nashville, Tennessee

May 13, 2021

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,900,490	\$ 1,327,672
Accounts Receivable	50,126	57,261
Pledges Receivable, current portion	260,329	249,082
Grants Receivable	-	40,334
Inventory	173,794	171,621
Prepaid Expenses	18,883	17,525
	<hr/>	<hr/>
Total Current Assets	2,403,622	1,863,495
	<hr/>	<hr/>
Fixed Assets		
Fixed Assets	39,020,809	38,601,230
Less: Accumulated Depreciation	(7,416,106)	(6,300,927)
	<hr/>	<hr/>
Fixed Assets - Net	31,604,703	32,300,303
	<hr/>	<hr/>
Noncurrent Assets		
Pledges Receivable, noncurrent portion	136,148	336,477
Closing Costs, Net of Amortization	266,493	279,157
Derivative Financial Instruments	-	-
Other Assets	71,167	71,167
	<hr/>	<hr/>
Total Noncurrent Assets	473,808	686,801
	<hr/>	<hr/>
Total Assets	<u>\$ 34,482,133</u>	<u>\$ 34,850,599</u>

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

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Current Portion of Bonds Payable (Series 2011)	\$ 400,000	\$ 400,000
Current Portion of Bonds Payable (Series 2014)	475,000	456,250
Accounts Payable and Accrued Expenses	428,319	770,974
Accrued Interest	39,267	68,305
Deferred Grant Revenue	24,194	30,167
Deferred Rent Revenue	126,574	280,645
Resident Deposits	710,369	755,530
Property Tax Accrual	119,144	90,499
PPP Loan Payable	613,033	-
Resident Assistance Fund	232,818	239,343
	<hr/>	<hr/>
Total Current Liabilities	3,168,718	3,091,713
	<hr/>	<hr/>
Noncurrent Liabilities		
Notes Payable	1,363,122	1,363,122
Line of Credit	3,176,829	3,276,829
Derivative Financial Instruments	588,017	274,051
Non-Current Portion of Bonds Payable (Series 2011)	8,500,000	8,900,000
Non-Current Portion of Bonds Payable (Series 2014)	10,106,250	10,581,250
	<hr/>	<hr/>
Total Noncurrent Liabilities	23,734,218	24,395,252
	<hr/>	<hr/>
Total Liabilities	26,902,936	27,486,965
	<hr/>	<hr/>
Net Assets		
Net Assets with Donor Restrictions	756,469	644,128
Net Assets without Donor Restrictions	6,822,728	6,719,506
	<hr/>	<hr/>
Total Net Assets	7,579,197	7,363,634
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 34,482,133</u>	<u>\$ 34,850,599</u>

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

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Net Assets</u> <u>Without Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Residential Rent	\$ 8,558,665	\$ -	\$ 8,558,665
Contributions	1,182,858	309,613	1,492,471
In-Kind Contributions	103,925	-	103,925
Services Sold to Residents	959,269	-	959,269
Gain/Loss on Investments	5,860	-	5,860
Released from Restriction	197,272	(197,272)	-
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	11,007,849	112,341	11,120,190
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	9,423,379	-	9,423,379
Supporting Services			
Management and General	1,538,449	-	1,538,449
Fundraising	557,873	-	557,873
	<hr/>	<hr/>	<hr/>
Total Expenses	11,519,701	-	11,519,701
	<hr/>	<hr/>	<hr/>
Other Income			
Gain (Loss) on Disposal	1,810		1,810
PPP Loan Forgiveness	613,032		613,032
Interest Income	232	-	232
	<hr/>	<hr/>	<hr/>
Total Other Income	615,074	-	615,074
	<hr/>	<hr/>	<hr/>
Change in Net Assets	103,222	112,341	215,563
Net Assets, January 1, 2020	6,719,506	644,128	7,363,634
	<hr/>	<hr/>	<hr/>
Net Assets, December 31, 2020	<u>\$ 6,822,728</u>	<u>\$ 756,469</u>	<u>\$ 7,579,197</u>

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

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Net Assets</u> <u>Without Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Residential Rent	\$ 8,515,454	\$ -	\$ 8,515,454
Contributions	824,589	682,668	1,507,257
In-Kind Contributions	100,950		100,950
Services Sold to Residents	980,068	-	980,068
Gain/Loss on Investments	6,605	-	6,605
Released from Restriction	262,632	(262,632)	-
	<u>10,690,298</u>	<u>420,036</u>	<u>11,110,334</u>
Expenses			
Program Services	9,330,811	-	9,330,811
Supporting Services			
Management and General	1,917,805	-	1,917,805
Fundraising	489,395	-	489,395
	<u>11,738,011</u>	<u>-</u>	<u>11,738,011</u>
Other Income			
Interest Income	792	-	792
	<u>792</u>	<u>-</u>	<u>792</u>
Change in Net Assets	(1,046,921)	420,036	(626,885)
Net Assets, January 1, 2019	7,766,427	224,092	7,990,519
Net Assets, December 31, 2019	<u>\$ 6,719,506</u>	<u>\$ 644,128</u>	<u>\$ 7,363,634</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, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,633,442	\$ -	\$ 334,348	\$ 5,967,790
Employee Benefits	702,806	-	31,987	734,793
Payroll Taxes	431,462	-	26,038	457,500
Total Salaries and Benefits	6,767,710	-	392,373	7,160,083
Advertising	60,483	-	2,411	62,894
Amortization	3,612	4,052	5,000	12,664
Depreciation	673,611	444,761	913	1,119,285
Education and Technology	4,552	-	570	5,122
Food	612,283	-	-	612,283
Insurance	113,855	4,841	-	118,696
Interest	-	1,054,470	-	1,054,470
Licenses and Fees	11,373	-	240	11,613
Meetings	-	-	1,323	1,323
Miscellaneous	12,211	-	-	12,211
Payroll Fees	41,425	-	1,553	42,978
Postage	2,592	-	2,631	5,223
Printing	9,057	-	13,918	22,975
Property Taxes	117,965	-	-	117,965
Contracted Services, including in-kind of \$103,925	311,206	30,300	136,332	477,838
Repairs and Maintenance	44,095	-	-	44,095
Supplies	274,791	25	149	274,965
Telephone and Cable	31,530	-	-	31,530
Travel	8,665	-	460	9,125
Utilities	322,363	-	-	322,363
Total Functional Expenses	<u>\$ 9,423,379</u>	<u>\$ 1,538,449</u>	<u>\$ 557,873</u>	<u>\$ 11,519,701</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, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 5,290,596	\$ -	\$ 345,866	\$ 5,636,462
Employee Benefits	682,618	-	40,427	723,045
Payroll Taxes	412,908	-	25,213	438,121
 Total Salaries and Benefits	 6,386,122	 -	 411,506	 6,797,628
 Advertising	 64,474	 -	 1,544	 66,018
Amortization	3,612	4,052	5,000	12,664
Depreciation	607,458	444,761	-	1,052,219
Education and Technology	144,374	-	482	144,856
Food	616,767	-	-	616,767
 Insurance	 105,130	 4,456	 -	 109,586
Interest	-	1,426,863	-	1,426,863
Licenses and Fees	10,919	-	240	11,159
Meetings	118	174	2,808	3,100
Miscellaneous	21,835	-	-	21,835
 Payroll Fees	 63,015	 -	 1,901	 64,916
Postage	2,894	-	5,480	8,374
Printing	9,807	-	12,273	22,080
Property Taxes	88,800	-	-	88,800
Contracted Services, including in-kind of \$100,950	553,154	37,377	44,003	634,534
 Repairs and Maintenance	 123,626	 -	 36	 123,662
Supplies	156,888	-	850	157,738
Telephone and Cable	30,375	-	-	30,375
Travel	9,949	122	3,272	13,343
Utilities	331,494	-	-	331,494
 Total Functional Expenses	 \$ 9,330,811	 \$ 1,917,805	 \$ 489,395	 \$ 11,738,011

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

ABE'S GARDEN

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 215,563	\$ (626,885)
Adjustments to Reconcile to Net Cash Provided (Used) by Operations:		
Depreciation and Amortization	1,119,285	1,052,219
(Increase) Decrease in:		
Accounts Receivable	7,135	97,749
Grant Receivable	40,334	153,758
Pledges Receivable	189,082	(255,176)
Prepaid Expenses	(1,358)	14,274
Inventory	(2,173)	(3,333)
Other Assets	12,664	12,664
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(342,655)	103,483
Accrued Interest	(29,038)	68,305
Tenant Deposits	(45,161)	38,766
Tax Accruals	28,645	(699)
Deferred Grant Revenue	(5,973)	(2,500)
Deferred Rent Revenue	(154,071)	280,645
Resident Assistance Fund	(6,525)	(11,400)
Net Cash Provided (Used) by Operating Activities	<u>1,025,754</u>	<u>921,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Derivative Financial Instruments	313,966	350,659
Acquisition of Fixed Assets	<u>(423,685)</u>	<u>(1,393,233)</u>
Net Cash Provided (Used) by Investing Activities	<u>(109,719)</u>	<u>(1,042,574)</u>

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

ABE'S GARDEN

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CASH FLOWS FROM FINANCING ACTIVITIES	<u>2020</u>	<u>2019</u>
Payments on Bonds Payable	(856,250)	(1,062,500)
Proceeds from PPP Loan Payable	613,033	-
Cash received from Line of Credit	-	1,175,077
Payments made on Line of Credit	<u>(100,000)</u>	<u>(1,408)</u>
Net Cash Provided (Used) by Financing Activities	<u>(343,217)</u>	<u>111,169</u>
Net Increase (Decrease) in Cash	572,818	(9,535)
Cash and Cash Equivalents, beginning of year	<u>1,327,672</u>	<u>1,337,207</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,900,490</u></u>	<u><u>\$ 1,327,672</u></u>

Supplemental Cash Flows Information:

During the years ended December 31, 2020 and 2019, the Organization paid interest of \$1,054,470 and \$1,426,863, respectively.

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

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Abe's Garden ("the Organization") is a nonprofit organization incorporated in the State of Tennessee that owns and operates an independent senior living community, which also provides assisted living, Alzheimer's, residential and adult day care services. The Organization was founded on May 25, 2007.

Classification of Restricted and Unrestricted Net Assets

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 two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Organization had \$6,822,728 and \$6,719,506 of net assets without donor restrictions as of December 31, 2020 and 2019, respectively.

Net assets with donor restrictions - These are 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. This classification also includes 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 net assets with donor restrictions of \$756,469 and \$644,128 as of December 31, 2020 and 2019, respectively.

Advertising

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2020 and 2019 were \$62,894 and \$66,018, respectively.

Depreciation

It is the Organization's policy to capitalize fixed assets over \$500. All purchases less than that amount are expensed in the period incurred. Donated fixed assets are reported as contributions at estimated fair value. Unless donor-restricted, all donated fixed assets are reported as increases in unrestricted net assets. Fixed assets 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.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 are no longer open for examination.

Cash and Cash Equivalents

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.

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.

Change in Accounting Principle

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows. The standard provides guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. The standard also acknowledges and provides guidance on the diversity that exists within this classification. ASU 2016-18 is effective for the Organization for the year ended December 31, 2020. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Organization for the year ended December 31, 2020.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies for Future Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. The distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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 \$103,925 and \$100,950 were recorded as in-kind for the year ended December 31, 2020 and 2019, respectively.

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 \$1,575,778 and \$1,020,594 as of December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019, and determined that no additional allowance is considered necessary.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

2. FIXED ASSETS

A summary of fixed assets at December 31, is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	29,489,633	29,268,143
Equipment	<u>2,258,901</u>	<u>2,060,812</u>
	39,020,809	38,601,230
Less: Accumulated Depreciation	<u>(7,416,106)</u>	<u>(6,300,927)</u>
Fixed Assets - net	<u><u>\$ 31,604,703</u></u>	<u><u>\$ 32,300,303</u></u>

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 2020 and 2019. 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 \$166,716 at December 31, 2020. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Pledges without Donor Restrictions	\$ 174,983	\$ 215,000
Less discount to net present value	<u>(8,267)</u>	<u>(18,055)</u>
Pledges without Donor Restrictions - net	<u><u>\$ 166,716</u></u>	<u><u>\$ 196,945</u></u>
Amounts due in:		
Less than one year	\$ 74,983	\$ 65,000
One to five years	<u>100,000</u>	<u>150,000</u>
	<u><u>\$ 174,983</u></u>	<u><u>\$ 215,000</u></u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

3. RELATED PARTIES (CONTINUED)

Notes Payable

A partnership in which a board member is a controlling partner, loaned \$1,600,000 at an interest rate of 4.5% to the Organization that matures January 15, 2022. The interest rate was reduced to 2.9% in March 2020. Interest of \$43,291 and \$61,461 was paid on the loan in the year ended December 31, 2020 and 2019, respectively. The balance as of December 31, 2020 and 2019 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 \$99,725 and \$113,657 was paid on the line of credit in the year ended December 31, 2020 and 2019, respectively. The balance as of December 31, 2020 and 2019 was \$3,176,829 and \$3,276,829, respectively.

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 \$14,422 and \$15,510 for the years ended December 31, 2020 and 2019, respectively.

5. NOTE PAYABLE

	<u>2020</u>	<u>2019</u>
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 2.9%. All principal and interest is due and payable on January 15, 2022. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.		
	<u>1,363,122</u>	<u>1,363,122</u>

As of December 31, 2020, the note payable matures as follows:

2021	\$ -
2022	<u>1,363,122</u>
Total Note Payable	<u><u>\$ 1,363,122</u></u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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 (2.88% as of December 31, 2020). 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 60 days of operating expenses and maintain a debt service coverage ratio of not less than 1.10 to 1.

		As of December 31, 2020, Bonds Payable (Series 2011) mature as follows:	
Total Bonds Payable	\$ 8,900,000		
Less Current Portion	<u>400,000</u>		
Non-Current Portion of	<u>\$ 8,500,000</u>	2021	\$ 400,000
Bonds Payable		2022	400,000
		2023	425,000
		2024	500,000
		2025	500,000
		2026 and thereafter	<u>6,675,000</u>
			<u>\$ 8,900,000</u>

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, 2020 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 2.88%.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

6. BONDS PAYABLE (CONTINUED)

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 60 days of operating expenses and maintain a debt service coverage ratio of not less than 1.10 to 1.

Total Bonds Payable	\$ 10,581,250	As of December 31, 2020, Bonds Payable (Series 2014) mature as follows:	
Less Current Portion	<u>475,000</u>		
Non-Current Portion of	<u>\$ 10,106,250</u>	2021	\$ 475,000
Bonds Payable		2022	475,000
		2023	475,000
		2024	481,250
		2025	500,000
		2026 and thereafter	<u>8,175,000</u>
			<u>\$ 10,581,250</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 1,900,490	\$ 1,327,672
Less: assets unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(756,469)</u>	<u>(644,128)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,144,021</u>	<u>\$ 683,544</u>

There is an adequate amount of financial assets available as of December 31, 2020 and 2019. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

8. LEASE

The Organization entered into a lease with Abby Lane Properties-West, LLC for office space in May 2020. A partnership in which a board member is a controlling partner pays the full lease amount including any operating expenses on behalf of Abe's Garden. This amount is recorded as In-Kind. The lease term is 60 months. Future minimum rental payments are required as follows:

2021	\$ 22,566
2022	45,810
2023	47,190
2024	48,612
2025 and thereafter	<u>75,462</u>
	<u>\$ 239,640</u>

9. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID 19) can be characterized as a pandemic. As a result, the Organization has had pauses of operations for various periods. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

10. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organizations to keep their employees on payroll. The Organization obtained a PPP loan for \$1,226,065 on April 20, 2020. The portion of loan proceeds that is spent on qualified payroll costs and operational expenses will be forgiven. The Organization has not applied for loan forgiveness but anticipates the loan will be fully forgiven; therefore a portion of the loan proceeds, \$613,032, has been recognized as income at December 31, 2020.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 13, 2021, which is the date the financial statements were available to be issued.

As part of the CARES Act, federal funds were allocated to Tennessee for distribution to organizations to assist with payroll, PPE, supplies, and other COVID related needs. Abe's Garden received \$1,781,284 as part of this funding on March 25, 2021. This amount will be recognized as revenue for the year ended December 31, 2021.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$19.48125 million as of December 31, 2020 and \$20.3375 million as of December 31, 2019. 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, 2020 and 2019, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2021 through 2024, totaled \$18,111,885.

2020

As of December 31, 2020, the fair value of the interest rate swap agreements was a liability of \$588,017 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 loss of \$313,966 for the year ended December 31, 2020 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 (Liability) for Derivative Financial Instruments, January 1, 2020	\$ (274,051)
Gain (Loss) on interest rate swap	<u>(313,966)</u>
Asset (Liability) for Derivative Financial Instruments, December 31, 2020	<u>\$ (588,017)</u>
Interest Paid on Debt	\$ 740,504
(Gain) Loss on interest rate swap	<u>313,966</u>
Interest expense, per statement of functional expenses	<u>\$ 1,054,470</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

12. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

2019

As of December 31, 2019, the fair value of the interest rate swap agreements was a liability of \$274,051 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 loss of \$350,659 for the year ended December 31, 2019 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 (Liability) for Derivative Financial Instruments, January 1, 2019	\$ 76,608
Gain (Loss) on interest rate swap	<u>(350,659)</u>
Asset (Liability) for Derivative Financial Instruments, December 31, 2019	<u>\$ (274,051)</u>
Interest Paid on Debt	\$ 1,076,204
(Gain) Loss on interest rate swap	<u>350,659</u>
Interest expense, per statement of functional expenses	<u>\$ 1,426,863</u>