

ABE'S GARDEN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2010 AND 2009

ABE'S GARDEN

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Abe's Garden (a nonprofit corporation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bellenfant & Miles, PLLC

April 21, 2011

ABE'S GARDEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and Cash Equivalents	\$ 821,103	\$ 962,314
Accounts Receivable	31,796	35,073
Assets Held for Investments	-	4,900
Pledges Receivable	1,116,240	517,134
Inventory	9,567	9,116
Prepaid Expenses	12,170	12,005
	<hr/>	<hr/>
Total Current Assets	1,990,876	1,540,542
	<hr/>	<hr/>
Land, Building and Equipment	13,822,670	13,301,659
Less: Accumulated Depreciation	(508,131)	(326,266)
	<hr/>	<hr/>
Land, Building and Equipment - Net	13,314,539	12,975,393
	<hr/>	<hr/>
Noncurrent Assets		
Pledges Receivable, Due after One Year	1,719,991	482,382
Commissions - In Kind, Net of Amortization	185,625	190,625
Loan Cost, Net of Amortization	1,337	33,430
Other Assets	17	416
	<hr/>	<hr/>
Total Noncurrent Assets	1,906,970	706,853
	<hr/>	<hr/>
Total Assets	<u>\$ 17,212,385</u>	<u>\$ 15,222,788</u>

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

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2010 AND 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 146,785	\$ 124,970
Tenant Deposits	157,482	135,125
Accrued Interest	16,559	15,896
Lease Payable	830	6,367
Property Tax Deferral	165,961	165,961
Personalty Tax Deferral	1,617	1,552
	<u>489,234</u>	<u>449,871</u>
Total Current Liabilities		
	<u>489,234</u>	<u>449,871</u>
Noncurrent Liabilities		
Notes Payable	13,200,000	13,200,000
Line of Credit - Related Party	20,811	317,429
	<u>13,220,811</u>	<u>13,517,429</u>
Total Noncurrent Liabilities		
	<u>13,220,811</u>	<u>13,517,429</u>
Total Liabilities	<u>13,710,045</u>	<u>13,967,300</u>
Net Assets		
Unrestricted	(375,949)	(928,108)
Temporarily Restricted	3,878,289	2,183,596
	<u>3,502,340</u>	<u>1,255,488</u>
Total Net Assets		
	<u>3,502,340</u>	<u>1,255,488</u>
Total Liabilities and Net Assets	<u>\$ 17,212,385</u>	<u>\$ 15,222,788</u>

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 46,867	\$ -	\$ 46,867
Capital Campaign Contributions	-	2,694,693	2,694,693
Residential Rent	2,234,395	-	2,234,395
Services Sold to Residents	411,705	-	411,705
Licensing Fees	10,000	-	10,000
Net Assets Released from Restrictions	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,702,967</u>	 <u>1,694,693</u>	 <u>5,397,660</u>
Expenses			
Program Services	2,836,274	-	2,836,274
Supporting Services			
Management and General	155,410	-	155,410
Fundraising	<u>188,247</u>	<u>-</u>	<u>188,247</u>
 Total Expenses	 <u>3,179,931</u>	 <u>-</u>	 <u>3,179,931</u>
Other Income			
Interest Income	7,423	-	7,423
Gain on Sale of Assets	<u>21,700</u>	<u>-</u>	<u>21,700</u>
 Total Other Income	 <u>29,123</u>	 <u>-</u>	 <u>29,123</u>
 Change in Net Assets	 552,159	 1,694,693	 2,246,852
Net Assets, January 1, 2010	<u>(928,108)</u>	<u>2,183,596</u>	<u>1,255,488</u>
Net Assets, December 31, 2010	<u><u>\$ (375,949)</u></u>	<u><u>\$3,878,289</u></u>	<u><u>\$3,502,340</u></u>

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

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 52,276	\$ -	\$ 52,276
Capital Campaign Contributions	-	231,664	231,664
Residential Rent	2,229,614	-	2,229,614
Services Sold to Residents	305,483	-	305,483
	<u>2,587,373</u>	<u>231,664</u>	<u>2,819,037</u>
Expenses			
Program Services	2,685,370	-	2,685,370
Supporting Services			
Management and General	120,079	-	120,079
Fundraising	200,839	-	200,839
	<u>3,006,288</u>	<u>-</u>	<u>3,006,288</u>
Other Income			
Interest Income	7,731	-	7,731
Other Income	891	-	891
	<u>8,622</u>	<u>-</u>	<u>8,622</u>
Change in Net Assets	(410,293)	231,664	(178,629)
Net Assets, January 1, 2009	<u>(517,815)</u>	<u>1,951,932</u>	<u>1,434,117</u>
Net Assets, December 31, 2009	<u><u>\$ (928,108)</u></u>	<u><u>\$2,183,596</u></u>	<u><u>\$1,255,488</u></u>

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

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 facility specializing in Alzheimers 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.

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 currently has no permanently restricted net assets.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2010 and 2009 were \$15,685 and \$24,553, respectively.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis and include the assets, liabilities, and financial activities of the Organization.

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2010 AND 2009

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 expenses in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as 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 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.

Cash:

Abe's Garden 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 \$4,368 and \$4,076 were recorded as in-kind for the year ended December 31, 2010 and 2009, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

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 Abe's Garden 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 cash deposits exceeded federally insured amounts by \$510,346 as of December 31, 2010. 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, 2010 and 2009.

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, 2010 and 2009, 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>2010</u>	<u>2009</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	6,362,181	5,865,564
Equipment	<u>188,214</u>	<u>163,820</u>
	13,822,670	13,301,659
Less: Accumulated Depreciation	<u>(508,131)</u>	<u>(326,266)</u>
Land, Building and Equipment - net	<u>\$13,314,539</u>	<u>\$12,975,393</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from a board member at December 31, 2010. 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 2.81% is \$672,688. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2010 consist of:

	<u>2010</u>	<u>2009</u>
Unrestricted for 2010; Restricted to capital campaign for 2009	\$ 693,000	\$ 1,000,000
Less discount to net present value	<u>(20,312)</u>	<u>(45,758)</u>
	<u>\$ 672,688</u>	<u>\$ 954,242</u>
Amounts due in:		
Less than one year	\$ 443,000	\$ 500,000
One to five years	<u>250,000</u>	<u>500,000</u>
	<u>\$ 693,000</u>	<u>\$ 1,000,000</u>

Line of Credit

The Organization has a demand note, dated October 2, 2007, with a partnership in which a board member is a controlling partner of, available in the amount up to \$1,000,000 for the Development Project. The interest rate on this demand note was modified in January 2009 to the Prime Rate (3.25% as of December 31, 2010). During 2010, \$296,618 was paid on the balance of this note. Interest of \$10,382 was accrued, but unpaid, on this loan during 2010. The balance at December 31, 2010 and 2009 was \$20,811 and \$317,429, respectively.

Notes Payable

The same partnership loaned \$1,600,000 to the Organization that matures January 15, 2012. No principal was repaid on this loan during 2010 or 2009. Interest of \$88,000 and \$88,000 was paid on this loan during 2010 and 2009, respectively.

Payment of Expenses

A board member of the Organization is majority shareholder of the management company which provides certain administrative and management services. The Organization reimbursed, at cost, the management company for payroll and other related expenses in the amounts of \$314,056 and \$350,606 the years ended December 31, 2010 and 2009, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

4. NOTES PAYABLE

The Organization has the following notes payable at December 31:

All notes payable are non-current.

2010

2009

Note Payable to a commercial bank, dated January 15, 2008, in the amount of \$10,600,000, due in interest only payments starting February 15, 2008 at a rate of prime rate (3.25% at December 31, 2008) minus one percent. All principal and interest is due and payable on January 15, 2012. The note is secured by the real estate of the Organization and a partial personal guarantee.

\$10,600,000

\$10,600,000

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, 2012. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.

1,600,000

1,600,000

Note Payable to a corporation, dated January 15, 2008, in the amount of \$1,000,000, 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, 2011. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.

1,000,000

1,000,000

Total Notes Payable

\$13,200,000

\$13,200,000

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2010 AND 2009

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following at December 31:

	<u>2010</u>	<u>2009</u>
Capital Campaign	<u>\$ 3,878,289</u>	<u>\$ 2,183,596</u>

6. RETIREMENT PLAN

The Organization has a 401(k) Retirement Savings Plan under which the Company is required to match 5% of employee contributions up to 5% of employee's salaries. The Company's contribution was \$531 and \$1,109 for the years ended December 31, 2010 and 2009, respectively.

7. LEASE PAYABLE

The Organization assumed a capital lease for equipment with Baytree Leasing Company. There is one payment left at December 31, 2010 of \$830, including principal and interest. Future minimum payments are as follows:

2011	<u>\$ 830</u>
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8. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 21, 2011. The following events occurred from January 1, 2011 to April 21, 2011.

- The note payable of \$10,600,000 to a commercial bank was renegotiated and the new maturity date is January 15, 2012.
- The note payable of \$1,600,000 was renewed and the new maturity date is January 15, 2012.
- The note payable of \$1,000,000 was paid on January 11, 2011.