NOTE 1 - ORGANIZATION AND GENERAL

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.

On December 6, 2021, the Organization formed a wholly owned subsidiary, Hearthstone Education Institute, LLC ("Hearthstone"). The purpose of the subsidiary is to train caregivers and staff working in memory care how to be aware, skilled, effective and confident. There were no transactions or activity during 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions 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 donor restrictions:* Net assets subject to donors (or certain grantors) imposed restrictions. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by 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.

Donor and certain grantor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

As of December 31, 2021, an allowance for uncollectible amounts totaling $40,000 has been recorded for unconditional promises to give to be adjusted to the amount management expects to collect, which is based on past history's collection experience.

Grants - Grant income represents amounts received from governmental agencies that have conditional terms to the uses of those funds ("conditional grants"), which generally, the Organization must attest to those terms and conditions. When the terms and conditions have reasonably been met during a reporting period, the Organization recognizes grant income as support and revenue on the Statement of Activities. Payments received in advance of conditions being met are recorded as deferred revenues on the Statement of Financial Position. During the year ended December 31, 2021, the Organization received and determined to have expended $99,999 of Department of Health and Human Services ("HHS") Provider Relief Funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Residential rent and service to residents - The Organization recognizes revenue over time as it satisfies a performance obligation by providing living space and services to its residents on a daily basis until termination of the contract. These contracts are standard for all residents. The Organization has the right to consideration from the resident in an amount that directly corresponds with the value to the resident of the Organization's performance to date.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash includes time deposits and all highly liquid debt instruments with original maturities of three months or less. Cash equivalents also include certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

Inventory

Inventories consist primarily of dietary and general supplies, and are stated at the lower of cost (first-in, first-out) or net realizable value.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis. Prepaid expenses as of December 31, 2021 were $21,896.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the Statement of Activities. Investment income is reported net of investment fees.

Fair Value Measurements

The Organization classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market, but for which observable market inputs are readily available), and Level 3 (valued based on significant, unobservable inputs). An asset's 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 used maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Investments - equity and fixed income securities - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy. These investments also include securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data, and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

Derivative instruments - These are reported at fair value utilizing Level 2 inputs. The Organization obtains bank quotations to value its interest rate swaps.

There have been no changes in the valuation methodologies used at December 31, 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Property and Equipment

The Organization's policy to capitalize fixed assets over $500. Property and equipment are reported at cost, net of accumulated depreciation, and include improvements that significantly add to productive capacity or extend useful lives. Donated fixed assets are reported as contributions at estimated fair value. Unless donor-restricted, all donated fixed assets are reported as increases in net assets without donor restrictions. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is included in operations for the period. Gains on trade-ins are applied to reduce the cost of the new acquisition. Depreciation is recorded using the straight-line method over the assets' estimated useful lives, except for leasehold improvements, which are depreciated over the shorter of their estimated useful lives or the respective lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	10 - 40 years
Furniture and equipment	3 - 12 years
Leasehold improvements	Shorter of the term of lease plus estimated extensions not greater than 15 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2021.

Derivative Financial Instruments

The Organization uses derivatives to manage risk related to interest rate movements. Interest rate swap contracts designated and qualifying as a cash flow hedge are reported at fair value. The gain or loss on the hedge is included on the Statement of Activities as other income (expense). The Organization documents its risk strategy and hedge effectiveness at the inception of and during the term of each hedge.

Compensated Absences

Accrued liabilities for compensated absences, (paid time off and sick time) included in accrued expenses on the Statement of Financial Position at December 31, 2021 and amounted to $70,928.

Debt Issuance Costs

Debt issuance costs consist of the costs for acquiring financing and are recognized as a discount to long-term debt. The costs are amortized over the term of the mortgage loan using the effective interest method. Amortization of the costs is included in interest expense. As of December 31, 2021, debt issuance costs were $253,829, net of accumulated amortization of $136,558. For the year ended December 31, 2021, amortization totaled $12,664. Amortization for each of the five ensuing years through December 31, 2026, is expected to be $12,664.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Liabilities

Contract liabilities represent payments received in advance of providing services under certain contracts. The Organization bills residents in advance for the following month. All advance billings are recognized as revenue when the services are performed. Contract liabilities are classified as a current liability as the Organization expects the performance obligations to be satisfied within one year of the Statement of Financial Position date.

The Organization collects a security deposit from residents in varying amounts in advance of providing services. These deposits amounted to $773,404 as of December 31, 2021 and are included within contract liabilities on the Statement of Financial Position.

Resident Assistance Fund

The Organization receives contributions from donors to assist residents in paying for the services provided. These funds are recorded as a current liability in the Statement of Financial Position.

Donated Goods and Services

Donated goods are recorded as revenue and either an asset or expense in the period received at fair value if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Organization if not provided by the donor. Such services are recognized at fair value as revenue and expense in the period the services are performed. Donated goods and services recognized amounted to $143,262 during 2021

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - to establish a replicable model for senior life that is focused on brain health, wellness and purposeful living.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities related to obtaining resources. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the annual fundraising campaign and certain events.

Allocation of Functional 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 service based on objectively evaluated and non-financial data or reasonable subjective methods determined by management. The expenses that are allocated include salaries and related expenses, taxes and benefits, which are allocated on the basis of estimates of time expended on those activities, and depreciation and occupancy expenses, which are allocated on the basis of estimates of the related use of the property.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and files a U.S. Federal Form 990. Accordingly, income taxes are not provided in the accompanying financial statements.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expenses are classified as advertising and amounted to $90,156 for the year ended December 31, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment.

The new standard provides a number of practical expedients. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This ASU is effective for the Organization's year ending December 31, 2022. The Organization continues to assess the effect the guidance will have on its existing accounting policies and the financial statements and expects there will be an increase in assets and liabilities on the Statement of Financial Position at adoption due to the recognition of right-of-use assets and corresponding lease liabilities.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not- for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the Organization's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2021 and September 15, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financials assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, as of December 31, 2021 are as follows:

Cash	$	1,226,945
Investments		2,123,656
Accounts receivable		21,438
Total financial assets	$	3,372,039
Less amounts not available to be used within one year:		
Restricted by the donor with purpose restriction		(846,385)
Financial assets available to meet general expenditures over the next year	$	2,525,654

The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the Statement of Financial Position date.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 5 - PROMISES TO GIVE

The Organization is in the process of converting the 4th floor to assisted living, building another memory support wing, renovating portions of the outside building and other building projects. Capital campaign funds have been received from donors for these purposes.

NOTE 5 - PROMISES TO GIVE (CONTINUED)

Promises to give consisted of the following as of December 31, 2021:

	2021	
	Other	Capital Campaign
Due in less than one year	$ 120,000	$ 120,000
One to five years	120,000	989,880
Over five years	-	-
	240,000	1,109,880
Less: allowance for uncollectible promises to give	(40,000)	-
Less: discount to net present value	(4,286)	(19,815)
Promises to give, net	$ 195,714	$ 1,090,065

Amounts are presented in the Statement of Financial Position as follows:

	Other	Capital Campaign
Current	$ 107,857	$ 117,857
Long-term	87,857	972,208
Total	$ 195,714	$ 1,090,065