

**ABE'S GARDEN**

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

**DECEMBER 31, 2019 AND 2018**

# **ABE'S GARDEN**

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# BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

## **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, 2019 and 2018, 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, 2019 and 2018, 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 20, 2020

**ABE'S GARDEN**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,327,672	\$ 1,337,207
Accounts Receivable	57,261	155,010
Pledges Receivable, current portion	249,082	126,853
Grants Receivable	40,334	194,092
Inventory	171,621	168,288
Prepaid Expenses	17,525	31,799
	<hr/>	<hr/>
Total Current Assets	1,863,495	2,013,249
	<hr/>	<hr/>
<b>Fixed Assets</b>		
Fixed Assets	38,601,230	37,207,997
Less: Accumulated Depreciation	(6,300,927)	(5,248,708)
	<hr/>	<hr/>
Fixed Assets - Net	32,300,303	31,959,289
	<hr/>	<hr/>
<b>Noncurrent Assets</b>		
Pledges Receivable, noncurrent portion	336,477	203,530
Closing Costs, Net of Amortization	279,157	291,821
Derivative Financial Instruments	-	76,608
Other Assets	71,167	71,167
	<hr/>	<hr/>
Total Noncurrent Assets	686,801	643,126
	<hr/>	<hr/>
Total Assets	<u><u>\$ 34,850,599</u></u>	<u><u>\$ 34,615,664</u></u>

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

**ABE'S GARDEN**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**DECEMBER 31, 2019 AND 2018**

**LIABILITIES AND NET ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current Liabilities</b>		
Current Portion of Bonds Payable (Series 2011)	\$ 400,000	\$ 500,000
Current Portion of Bonds Payable (Series 2014)	456,250	562,500
Accounts Payable and Accrued Expenses	770,974	667,491
Accrued Interest	68,305	-
Deferred Grant Revenue	30,167	32,667
Deferred Rent Revenue	280,645	-
Resident Deposits	755,530	716,764
Property Tax Accrual	90,499	91,198
Resident Assistance Fund	239,343	250,743
	<hr/>	<hr/>
Total Current Liabilities	3,091,713	2,821,363
	<hr/>	<hr/>
<b>Noncurrent Liabilities</b>		
Notes Payable	1,363,122	1,363,122
Line of Credit	3,276,829	2,103,160
Derivative Financial Instruments	274,051	-
Non-Current Portion of Bonds Payable (Series 2011)	8,900,000	9,300,000
Non-Current Portion of Bonds Payable (Series 2014)	10,581,250	11,037,500
	<hr/>	<hr/>
Total Noncurrent Liabilities	24,395,252	23,803,782
	<hr/>	<hr/>
Total Liabilities	27,486,965	26,625,145
	<hr/>	<hr/>
<b>Net Assets</b>		
Net Assets with Donor Restrictions	644,128	224,092
Net Assets without Donor Restrictions	6,719,506	7,766,427
	<hr/>	<hr/>
Total Net Assets	7,363,634	7,990,519
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 34,850,599	\$ 34,615,664
	<hr/> <hr/>	<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, 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>
<b>Support and Revenue</b>			
Residential Rent	\$ 8,515,454	\$ -	\$ 8,515,454
Contributions	925,539	682,668	1,608,207
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>
<b>Expenses</b>			
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>
<b>Other Income</b>			
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	<u>7,766,427</u>	<u>224,092</u>	<u>7,990,519</u>
Net Assets, December 31, 2019	<u><u>\$ 6,719,506</u></u>	<u><u>\$ 644,128</u></u>	<u><u>\$ 7,363,634</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, 2018

	<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>
<b>Support and Revenue</b>			
Residential Rent	\$ 8,123,934	\$ -	\$ 8,123,934
Contributions	1,708,830	224,092	1,932,922
Services Sold to Residents	983,379	-	983,379
Gain/Loss on Investments	<u>(3,728)</u>	<u>-</u>	<u>(3,728)</u>
Total Support and Revenue	<u>10,812,415</u>	<u>224,092</u>	<u>11,036,507</u>
<b>Expenses</b>			
Program Services	8,849,364	-	8,849,364
Supporting Services			
Management and General	1,498,348	-	1,498,348
Fundraising	<u>515,544</u>	<u>-</u>	<u>515,544</u>
Total Expenses	<u>10,863,256</u>	<u>-</u>	<u>10,863,256</u>
Other Income			
Interest Income	<u>2,108</u>	<u>-</u>	<u>2,108</u>
Total Other Income	<u>2,108</u>	<u>-</u>	<u>2,108</u>
Change in Net Assets	(48,733)	224,092	175,359
Net Assets, January 1, 2018	<u>7,815,160</u>	<u>-</u>	<u>7,815,160</u>
Net Assets, December 31, 2018	<u><u>\$ 7,766,427</u></u>	<u><u>\$ 224,092</u></u>	<u><u>\$ 7,990,519</u></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**

		<b>Supporting Services</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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	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**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

		<b>Supporting Services</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 5,095,358	\$ -	\$ 335,993	\$ 5,431,351
Employee Benefits	604,664	790	36,821	642,275
Payroll Taxes	398,368	-	23,994	422,362
Total Salaries and Benefits	6,098,390	790	396,808	6,495,988
Advertising	81,937	-	-	81,937
Amortization	3,612	4,052	5,000	12,664
Depreciation	577,659	444,761	-	1,022,420
Education and Technology	9,470	-	590	10,060
Food	546,315	-	-	546,315
Insurance	113,374	4,352	-	117,726
Interest	-	954,248	-	954,248
Licenses and Fees	5,932	21	2,190	8,143
Meetings	58	-	26,667	26,725
Miscellaneous	2,764	-	-	2,764
Payroll Fees	126,134	-	3,552	129,686
Postage	4,653	225	1,812	6,690
Printing	5,475	-	15,548	21,023
Property Taxes	114,000	-	-	114,000
Contracted Services	448,807	87,405	46,716	582,928
Repairs and Maintenance	136,804	-	125	136,929
Supplies	172,626	925	13,271	186,822
Telephone and Cable	31,937	-	-	31,937
Travel	27,903	1,569	3,265	32,737
Utilities	341,514	-	-	341,514
Total Functional Expenses	<u>\$ 8,849,364</u>	<u>\$ 1,498,348</u>	<u>\$ 515,544</u>	<u>\$ 10,863,256</u>

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

# ABE'S GARDEN

## STATEMENTS OF CASH FLOWS

**DECEMBER 31, 2019 AND 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Change in Net Assets	\$ (626,885)	\$ 175,359
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	1,052,219	1,022,420
(Increase) Decrease in:		
Accounts Receivable	97,749	(75,901)
Grant Receivable	153,758	(194,092)
Pledges Receivable	(255,176)	(195,915)
Prepaid Expenses	14,274	18,411
Inventory	(3,333)	(241)
Other Assets	12,664	8,164
Derivative Financial Instruments	76,608	(76,608)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	103,483	183,527
Accrued Interest	68,305	
Tenant Deposits	38,766	58,490
Tax Accruals	(699)	24,172
Deferred Grant Revenue	(2,500)	(60,105)
Deferred Rent Revenue	280,645	-
Resident Assistance Fund	(11,400)	7,098
Derivative Financial Instruments	274,051	(74,042)
Net Cash Provided (Used) by Operating Activities	<u>1,272,529</u>	<u>820,737</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Land, Building, and Equipment	<u>(1,393,233)</u>	<u>(582,233)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,393,233)</u>	<u>(582,233)</u>

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

**ABE'S GARDEN**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**DECEMBER 31, 2019 AND 2018**

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Bonds Payable	(1,062,500)	(850,000)
Cash received from Line of Credit	1,175,077	900,000
Payments made on Line of Credit	<u>(1,408)</u>	<u>(196,840)</u>
Net Cash Provided (Used) by Financing Activities	<u>111,169</u>	<u>(146,840)</u>
Net Increase (Decrease) in Cash	(9,535)	91,664
Cash, beginning of year	<u>1,337,207</u>	<u>1,245,543</u>
Cash, end of year	<u><u>\$ 1,327,672</u></u>	<u><u>\$ 1,337,207</u></u>

Supplemental Cash Flows Information:

During the years ended December 31, 2019 and 2018, the Organization paid interest of \$1,426,863 and \$954,248, respectively.

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

## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS

#### DECEMBER 31, 2019 AND 2018

#### 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 \$6,719,506 and \$7,766,427 of net assets without donor restrictions as of December 31, 2019 and 2018, 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 \$644,128 and \$224,092 as of December 31, 2019 and 2018, respectively.

##### **Advertising:**

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2019 and 2018 were \$66,018 and \$81,937, respectively.

##### **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.

## **ABE'S GARDEN**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2019 AND 2018**

#### **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 2016 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 \$93,604 and \$109,694 were recorded as in-kind for the year ended December 31, 2019 and 2018, respectively.

##### **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.

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DECEMBER 31, 2019 AND 2018**

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **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 \$1,020,594 and \$1,030,629 as of December 31, 2019 and 2018, 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, 2019 and 2018.

#### **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, 2019 and 2018, and determined that no additional allowance is considered necessary.

### 2. FIXED ASSETS

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

	<u>2019</u>	<u>2018</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	29,268,143	27,938,327
Equipment	<u>2,060,812</u>	<u>1,997,395</u>
	38,601,230	37,207,997
Less: Accumulated Depreciation	<u>(6,300,927)</u>	<u>(5,248,708)</u>
Fixed Assets - net	<u>\$ 32,300,303</u>	<u>\$ 31,959,289</u>

# **ABE'S GARDEN**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **DECEMBER 31, 2019 AND 2018**

#### **3. RELATED PARTIES**

##### Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 2019 and 2018. 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 3.89% is \$0. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Pledges without Donor Restrictions	\$ -	\$ 30,344
Less discount to net present value	-	(849)
	<u>\$ -</u>	<u>\$ 29,495</u>
 Pledges without Donor Restrictions - net	 <u>\$ -</u>	 <u>\$ 29,495</u>
 Amounts due in:		
Less than one year	\$ -	\$ 30,344
One to five years	-	-
	<u>\$ -</u>	<u>\$ 30,344</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 \$61,461 and \$64,465 was paid on the loan in the year ended December 31, 2019 and 2018, respectively. The balance as of December 31, 2019 and 2018 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 \$113,657 and \$79,362 was paid on the line of credit in the year ended December 31, 2019 and 2018, respectively. The balance as of December 31, 2019 and 2018 was \$3,276,829 and \$2,103,160, respectively.

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2019 AND 2018

#### 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 \$15,510 and \$17,317 for the years ended December 31, 2019 and 2018, respectively.

#### 5. NOTE PAYABLE

	<u>2019</u>	<u>2018</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 4.5%. 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.		
	<u>1,363,122</u>	<u>1,363,122</u>

As of December 31, 2019, the note payable matures as follows:

2020	\$ -
2021	<u>1,363,122</u>
Total Note Payable	<u>\$ 1,363,122</u>

#### 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 (3.89% as of December 31, 2019). The bonds are secured by the land and building of Abe's Garden Project.



**ABE'S GARDEN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2019 AND 2018**

**6. BONDS PAYABLE (CONTINUED)**

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 50 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1.

Total Bonds Payable	\$ 9,300,000	As of December 31, 2019, Bonds Payable (Series 2011) mature as follows:	
Less Current Portion	<u>400,000</u>		
		2020	\$ 400,000
Non-Current Portion of	<u>\$ 8,900,000</u>	2021	400,000
Bonds Payable		2022	400,000
		2023	425,000
		2024	500,000
		2025 and thereafter	<u>7,175,000</u>
			<u>\$ 9,300,000</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, 2019 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 3.89%.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 50 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1.

Total Bonds Payable	\$ 11,037,500	As of December 31, 2019, Bonds Payable (Series 2014) mature as follows:	
Less Current Portion	<u>456,250</u>		
		2020	\$ 456,250
Non-Current Portion of	<u>\$ 10,581,250</u>	2021	475,000
Bonds Payable		2022	475,000
		2023	475,000
		2023	481,250
		2024 and thereafter	<u>8,675,000</u>
			<u>\$ 11,037,500</u>

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2019 AND 2018

#### 7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 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>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 1,327,672	\$ 1,337,207
Less: assets unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(644,128)</u>	<u>(224,092)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 683,544</u>	<u>\$ 1,113,115</u>

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

#### 8. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 20, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 coronavirus as a pandemic. In response to the 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.

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### DECEMBER 31, 2019 AND 2018

#### 9. DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$20.3375 million as of December 31, 2019 and \$21.4 million as of December 31, 2018. 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, 2019 and 2018, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2021 through 2024, totaled \$18,111,885.

#### 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>

**ABE'S GARDEN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2019 AND 2018**

**9. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

**2018**

As of December 31, 2018, the fair value of the interest rate swap agreements was an asset of \$76,608 and is included in noncurrent assets in the accompanying statements of financial position. The change in fair value on these interest rate swap agreements was a gain of \$150,650 for the year ended December 31, 2018 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, 2018	\$ (74,042)
Gain (Loss) on interest rate swap	<u>150,650</u>
Asset (Liability) for Derivative Financial Instruments, December 31, 2018	<u><u>\$ 76,608</u></u>
Interest Paid on Debt	\$ 1,104,898
(Gain) Loss on interest rate swap	<u>(150,650)</u>
Interest expense, per statement of functional expenses	<u><u>\$ 954,248</u></u>