

ABE'S GARDEN

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

DECEMBER 31, 2018 AND 2017

ABE'S GARDEN

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11

**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, 2018 and 2017, 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, 2018 and 2017, 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

May 16, 2019

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,337,207	\$ 1,245,543
Accounts Receivable	155,010	79,109
Pledges Receivable	126,853	104,618
Grants Receivable	194,092	-
Inventory	168,288	168,047
Prepaid Expenses	<u>31,799</u>	<u>50,210</u>
Total Current Assets	<u>2,013,249</u>	<u>1,647,527</u>
Fixed Assets	37,207,997	36,653,244
Less: Accumulated Depreciation	<u>(5,248,708)</u>	<u>(4,253,768)</u>
Fixed Assets - Net	<u>31,959,289</u>	<u>32,399,476</u>
Noncurrent Assets		
Pledges Receivable, Due after One Year	203,530	29,850
Closing Costs, Net of Amortization	291,821	304,485
Derivative Financial Instruments	76,608	-
Other Assets	<u>71,167</u>	<u>66,667</u>
Total Noncurrent Assets	<u>643,126</u>	<u>401,002</u>
Total Assets	<u><u>\$ 34,615,664</u></u>	<u><u>\$ 34,448,005</u></u>

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

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Current Portion of Bonds Payable (Series 2011)	\$ 500,000	\$ 400,000
Current Portion of Bonds Payable (Series 2014)	562,500	450,000
Accounts Payable and Accrued Expenses	667,491	483,964
Deferred Grant Revenue	32,667	92,772
Resident Deposits	716,764	658,274
Property Tax Accrual	91,198	67,026
Line of Credit	2,103,160	1,400,000
Resident Assistance Fund	250,743	243,645
	<hr/>	<hr/>
Total Current Liabilities	4,924,523	3,795,681
	<hr/>	<hr/>
Noncurrent Liabilities		
Notes Payable	1,363,122	1,363,122
Derivative Financial Instruments	-	74,042
Non-Current Portion of Bonds Payable (Series 2011)	9,300,000	9,800,000
Non-Current Portion of Bonds Payable (Series 2014)	11,037,500	11,600,000
	<hr/>	<hr/>
Total Noncurrent Liabilities	21,700,622	22,837,164
	<hr/>	<hr/>
Total Liabilities	26,625,145	26,632,845
	<hr/>	<hr/>
Net Assets		
Net Assets with Donor Restrictions	224,092	-
Net Assets without Donor Restrictions	7,766,427	7,815,160
	<hr/>	<hr/>
Total Net Assets	7,990,519	7,815,160
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 34,615,664</u>	<u>\$ 34,448,005</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</u> <u>Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Residential Rent	8,123,934	\$ -	\$ 8,123,934
Contributions	1,708,830	224,092	1,932,922
Services Sold to Residents	983,379	-	983,379
Gain/Loss on Investments	(3,728)	-	(3,728)
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	10,812,415	224,092	11,036,507
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	8,849,364	-	8,849,364
Supporting Services			
Management and General	1,498,348	-	1,498,348
Fundraising	515,544	-	515,544
	<hr/>	<hr/>	<hr/>
Total Expenses	10,863,256	-	10,863,256
	<hr/>	<hr/>	<hr/>
Other Income			
Interest Income	2,108	-	2,108
	<hr/>	<hr/>	<hr/>
Total Other Income	2,108	-	2,108
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(48,733)	224,092	175,359
Net Assets, January 1, 2018	7,815,160	-	7,815,160
	<hr/>	<hr/>	<hr/>
Net Assets, December 31, 2018	<u>\$ 7,766,427</u>	<u>\$ 224,092</u>	<u>\$ 7,990,519</u>

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

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Net Assets</u> <u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Residential Rent	8,232,804	\$ -	\$ 8,232,804
Contributions	1,298,848	-	1,298,848
Services Sold to Residents	1,151,194	-	1,151,194
Gain/Loss on Investments	8,319	-	8,319
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	10,691,165	-	10,691,165
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	8,363,187	-	8,363,187
Supporting Services			
Management and General	1,456,366	-	1,456,366
Fundraising	524,251	-	524,251
	<hr/>	<hr/>	<hr/>
Total Expenses	10,343,804	-	10,343,804
	<hr/>	<hr/>	<hr/>
Other Income			
Interest Income	1,358	-	1,358
	<hr/>	<hr/>	<hr/>
Total Other Income	1,358	-	1,358
	<hr/>	<hr/>	<hr/>
Change in Net Assets	348,719	-	348,719
Net Assets, January 1, 2017	7,466,441	-	7,466,441
	<hr/>	<hr/>	<hr/>
Net Assets, December 31, 2017	<u>\$ 7,815,160</u>	<u>\$ -</u>	<u>\$ 7,815,160</u>

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

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

ABE'S GARDEN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2018</u>	<u>2017</u>
Change in Net Assets	\$ 175,359	\$ 348,719
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	1,022,420	1,016,672
(Increase) Decrease in:		
Accounts Receivable	(75,901)	(26,225)
Grant Receivable	(194,092)	-
Pledges Receivable	(195,915)	240,496
Prepaid Expenses	18,411	(5,691)
Inventory	(241)	(46,864)
Other Assets	8,164	12,663
Derivative Financial Instruments	(76,608)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	183,527	55,197
Tenant Deposits	58,490	17,297
Tax Accruals	24,172	3,529
Deferred Grant Revenue	(60,105)	(7,228)
Resident Assistance Fund	7,098	(3,813)
Derivative Financial Instruments	(74,042)	(161,021)
Net Cash Provided (Used) by Operating Activities	<u>820,737</u>	<u>1,443,731</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	<u>(582,233)</u>	<u>(57,859)</u>
Net Cash Used by Investing Activities	<u>(582,233)</u>	<u>(57,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(850,000)	(850,000)
Cash received from Line of Credit	900,000	-
Payments made on Line of Credit	<u>(196,840)</u>	<u>(500,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>(146,840)</u>	<u>(1,350,000)</u>
Net Increase (Decrease) in Cash	91,664	35,872
Cash, beginning of year	<u>1,245,543</u>	<u>1,209,671</u>
Cash, end of year	<u><u>\$ 1,337,207</u></u>	<u><u>\$ 1,245,543</u></u>

Supplemental Cash Flows Information:

During the years ended December 31, 2018 and 2017, the Organization paid interest of \$954,248 and \$851,076, respectively.

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

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$7,766,427 and \$7,815,160 of net assets without donor restrictions as of December 31, 2018 and 2017, 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 \$224,092 and \$0 as of December 31, 2018 and 2017, respectively.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2018 and 2017 were \$81,937 and \$68,386, respectively.

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation:

It is the Organization's policy to capitalize property and equipment over \$500. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as increases in unrestricted net assets. Property and equipment are depreciated over estimated useful lives using the straight-line method. Useful lives range from 3 years for computer equipment to 40 years for building and building improvements.

Income Taxes:

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

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

The Organization files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Organization's returns for the years prior to calendar year 2015 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 \$109,694 and \$40,804 were recorded as in-kind for the year ended December 31, 2018 and 2017, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates:

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

Concentration of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and pledges receivable. Cash deposits are primarily in financial institutions in Tennessee and at times, may exceed FDIC limits. The balance of an interest bearing account exceeded federally insured amounts by \$1,030,629 and \$866,502 as of December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, and determined that no additional allowance is considered necessary.

2. FIXED ASSETS

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

	<u>2018</u>	<u>2017</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	27,938,327	27,479,033
Equipment	1,997,395	1,901,936
	<hr/>	<hr/>
	37,207,997	36,653,244
Less: Accumulated Depreciation	(5,248,708)	(4,253,768)
	<hr/>	<hr/>
Fixed Assets - net	<u>\$31,959,289</u>	<u>\$32,399,476</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 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 2.88% is \$29,495. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Pledges without Donor Restrictions	\$ 30,344	\$ 32,400
Less discount to net present value	<u>(849)</u>	<u>(1,109)</u>
Pledges without Donor Restrictions - net	<u>\$ 29,495</u>	<u>\$ 31,291</u>
Amounts due in:		
Less than one year	\$ 30,344	\$ 27,400
One to five years	<u>-</u>	<u>5,000</u>
	<u>\$ 30,344</u>	<u>\$ 32,400</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 \$64,465 and \$56,304 was paid on the loan in the year ended December 31, 2018 and 2017, respectively. The balance as of December 31, 2018 and 2017 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 \$79,362 and \$73,228 was paid on the line of credit in the year ended December 31, 2018 and 2017, respectively. The balance as of December 31, 2018 and 2017 was \$2,103,160 and \$1,400,000, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

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 \$17,317 and \$9,874 for the years ended December 31, 2018 and 2017, respectively.

5. NOTE PAYABLE

	<u>2018</u>	<u>2017</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, 2018, the note payable matures as follows:

2019	\$ -
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 (4.4% as of December 31, 2018). The bonds are secured by the land and building of Abe's Garden Project.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

6. BONDS PAYABLE (CONTINUED)

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 45 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2018, the Organization was in compliance with the debt covenants.

		As of December 31, 2018, Bonds Payable (Series 2011) mature as follows:	
Total Bonds Payable	\$ 9,800,000		
Less Current Portion	<u>500,000</u>		
		2019	\$ 500,000
		2020	400,000
		2021	400,000
		2022	400,000
		2023	425,000
		2024 and thereafter	<u>7,675,000</u>
			<u>\$ 9,800,000</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, 2018 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 4.4%.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

6. BONDS PAYABLE (CONTINUED)

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 45 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2018, the Organization was in compliance with the debt covenants.

Total Bonds Payable	\$11,600,000	As of December 31, 2018, Bonds Payable	
Less Current Portion	<u>562,500</u>	(Series 2014) mature as follows:	
		2019	\$ 562,500
Non-Current Portion of	<u>\$11,037,500</u>	2020	456,250
Bonds Payable		2021	475,000
		2022	475,000
		2023	475,000
		2024 and thereafter	<u>9,156,250</u>
			<u>\$11,600,000</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 1,337,207
Less: assets unavailable for general expenditures within one year, due to donor-imposed restrictions	(224,092)
Less: investments held within equity securities	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,113,115</u>

There is an adequate amount of financial assets available as of December 31, 2018. 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 May 16, 2019, which is the date the financial statements were available to be issued.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$21.4 million as of December 31, 2018 and \$22.25 million as of December 31, 2017. 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, 2018 and 2017, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2016 through 2024, totaled \$18,111,885.

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>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2018 AND 2017

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2017

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

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

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