NOTE 6 - INVESTMENTS

Investments consisted of the following at December 31, 2021:

Equity securities	$ 1,041,891
Fixed income securities	1,081,765
	$ 2,123,656

The following schedule summarizes the investment income for the year ended December 31, 2021:

Interest and dividend income	$ 16,998
Realized loss on investments	(757)
Unrealized gain on investments	55,755
Less: investment management fees	(6,233)
	$ 65,763

NOTE 7 - FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis consisted of the following at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 1,041,891	$ -	$ -	$ 1,041,891
Fixed income securities	-	1,081,765	-	1,081,765
Total investments at fair value	$ 1,041,891	$ 1,081,765	$ -	$ 2,123,656

	Level 1	Level 2	Level 3	Total
Interest rate swap agreements	$ -	$ 260,919	$ -	$ 260,919
Total liabilities at fair value	$ -	$ 260,919	$ -	$ 260,919

NOTE 8 - INVENTORIES

Inventories consisted of the following at December 31, 2021:

Food and kitchen accessories	$ 44,317
Maintenance supplies	116,035
Tools and small equipment	15,272
	$ 175,624

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021:

Land	$ 7,272,275
Building and improvements	29,875,872
Leasehold improvements	6,848
Furniture and equipment	2,381,225
Construction in-progress	276,997
Less: accumulated depreciation	(8,563,881)
	$ 31,249,336

Construction in-progress at December 31, 2021 consists of renovations to rooms, HVAC and building façade work and adding a memory support household. Estimated costs to complete the projects amount to approximately $25,100,000 at December 31, 2021 and all projects are anticipated to be completed during various periods through the year ended December 31, 2025.

NOTE 10 - CONTRACT BALANCES

Accounts receivable and contract liabilities from contracts with customers consisted of the following as of December 31, 2021:

	Accounts receivable	Contract liabilities
Beginning of year	$ 50,125	$ 836,943
End of year	$ 21,438	$ 889,032

NOTE 11 - BONDS PAYABLE

Bonds payable at December 31, 2021 were as follows:

Health and Housing Facilities Revenue Bond Series 2011 (a)	$ 8,500,000
Health and Housing Facilities Revenue Bond Series 2014 (b)	10,106,250
	18,606,250
Less: unamortized debt issuance cost	(253,829)
Less: current maturities	(875,000)
Total bonds payable, less current maturities, net	$ 17,477,421

(a) 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 Truist (formerly 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 (1.79% as of December 31, 2021). The bonds are secured by substantially all the property and equipment of the Organization. Guaranteed by the Board Chairman (see also Note 17).

(b) 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 and to be used for continuing development of the Abe's Garden Project. In 2014, the bonds were purchased from the original trustee by the Bank. The Organization has signed a loan agreement with the Bank that stipulates payment terms relating to principal and interest. The bond matures on May 1, 2039. Interest is based on the highest of three prevailing indexes (1.79% as of December 31, 2021). The bonds are secured by substantially all the property and equipment of the Organization. Guaranteed by the Board Chairman (see also Note 17).

NOTE 11 - BONDS PAYABLE (CONTINUED)

A summary of future maturities of bonds payable as of December 31, 2021 were as follows:

Year ending December 31,	Amount
2022	$ 875,000
2023	900,000
2024	981,250
2025	1,000,000
2026	1,000,000
Thereafter	13,850,000
	$ 18,606,250

NOTE 12 - CAPITAL LEASE

The Organization leases certain equipment under an agreement classified as a capital lease. The lease agreement requires monthly payments of $873 through July 2026.

Year ending December 31,	
2022	$ 10,482
2023	10,482
2024	10,482
2025	10,482
2026	7,395
Total minimum lease payments payable	$ 49,323
Less: amount representing interest	(6,268)
Present value of net minimum lease payments	43,055
Less: current installments	(8,522)
	$ 34,533

Property and equipment include the following property under capital leases at December 31, 2021:

Equipment	$ 46,482
Less: accumulated depreciation	(4,648)
	$ 41,834

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements are used by the Organization to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness related to the Organization's bonds payable. 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, 2021, the aggregate notional principal amount under the interest rate swap agreement, with a maturity date of May 1, 2024, totaled $10,225,000. The Organization had another interest rate swap agreement with a notional principal amount totaling $6,000,000. This agreement matured on December 1, 2021 and was not renewed.

As of December 31, 2021, the fair value of the interest rate swap agreements was a liability of $260,919 and is included as a noncurrent liability on the accompanying Statement of Financial Position. The change in fair value on these interest rate swap agreements resulted in a gain of $327,098 for the year ended December 31, 2021 and is included on the Statement of Activities as other income.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

Contributions and promises to give - time and purpose restrictions:	
Capital campaign pledges receivable	$ 1,090,065
Purpose restrictions:	
Unexpended capital campaign collections	$ 148,865
Care Foundation of America Grant - Challenge Grant	362,172
Care Foundation of America Grant - Lighting Study	60,174
Music Therapy Program	269,943
Tom Force Employee Education Fund	5,231
	$ 1,936,450

NOTE 15 - OPERATING LEASES

The Organization entered into a 60-month lease for office space in May 2020. A partnership in which a board member is a controlling partner pays the full lease amount including any operating expenses on behalf of the Organization. Rent expense recorded as in-kind (included in contracted services in the Statement of Functional Expenses) totaled approximately $48,200 in 2021. Future required minimum lease payments at December 31, 2021 were as follows:

Year ending December 31,		
2022	$	47,425
2023		48,489
2024		50,305
2025		16,931
	$	163,150

NOTE 16 - RETIREMENT PLAN

The Organization participates in a 401(k) defined-contribution plan under which the Organization is required to match 10% of employee contributions up to the maximum amount allowed by Internal Revenue Service guidelines. The plan is a multi-employer plan sponsored by Clearbrook Holdings Corp, of which the Organization's Board Chairman is the majority owner (see also Note 17). Employer matching contribution expense to the plan was $14,483 for the year ended December 31, 2021, and is included within employee benefits on the Statement of Activities.

NOTE 17 - RELATED PARTIES

Promises to give and contributions revenue

Related party promises to give consisted of promises to give received from board members at December 31, 2021. Related party promises to give due in the next fiscal year are reflected as current, whereas promises to give due in subsequent years are reflected as non-current. The net present value of the related party promises to give discounted at 1.79% is $898,663 at December 31, 2021. Management has determined that no allowance is deemed necessary. Contributions revenue from board members for the year ended December 31, 2021 amounted to $1,732,148.

NOTE 17 - RELATED PARTIES (CONTINUED)

Notes payable

A partnership in which a Board Chairman is a controlling partner, loaned $1,600,000 as a note payable during January 2008. The note, as amended, requires interest at a rate of 2.9% and matures in April 2023 at which time the full principal balance and accrued interest are due. Interest of $39,560 was paid on the loan in the year ended December 31, 2021. The balance as of December 31, 2021 was $1,363,060 and accrued interest on the note was $3,368. The loan is subordinate to the bonds payable (see also Note 11).

Line of credit

A partnership in which a Board Chairman is a controlling partner, financed a $4,000,000 line of credit with the Organization during October 2007. The line of credit, as most recently amended in December 2019, requires interest at a rate of 2.9% and matures in January 2023. The line of credit shall automatically renew for successive one-year periods until such time each party expressly agrees otherwise. Interest of $92,146 was paid on the line of credit during the year ended December 31, 2021. The balance as of December 31, 2021 was $2,776,830 and accrued interest on the line was $7,798. The line of credit is subordinate to the bonds payable (see also Note 11).

Purchases

The Organization's Board Chairman is the majority owner of several entities including Clearbrook Holdings Corp, Clearbrook Realty, Maynard Select and Off the Dock Seafood, among others. Some of these entities provide unique IT and accounting support, office space, building maintenance and repairs and food staples on both an occasional, and a recurring basis. These services are reimbursed by the Organization at cost; and are recovered in full by charitable donations by the Board Chairman which approximated $777,000 for the year ended December 31, 2021. These expenses are recorded in Schedule of Functional Expenses as approximately $70,000 in contracted services, $3,000 in repairs and maintenance, $125,000 in food and $132,000 in interest expense.

Another board member is the owner of a Company that provides marketing support to the Organization. The Organization paid approximately $45,000 during the year ended December 31, 2021. Accounts payable to this company as of December 31, 2021, totaled $2,985.

NOTE 18 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the Organization is maintaining close contact with their leadership teams to evaluate the evolving situation and will implement appropriate countermeasures as needed.

In response to the COVID-19 pandemic, the Paycheck Protection Program ("PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and administered by the Small Business Administration ("SBA"). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds were fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, would qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization. The Organization received formal notification of forgiveness in August 2021 from the Organization's lender, and $613,033 was recognized as grant income during the year ended December 31, 2021.

Additionally, the CARES Act provided for HHS to distribute funds from the Public Health and Social Services Emergency Fund ("Provider Relief Fund") to healthcare providers that billed Medicare in 2019 and provided treatment to individuals with possible or actual cases of COVID-19 during 2020, amongst other various certifications required in the Act. The funds were distributed in multiple stages and are grant funds, not loans, to healthcare providers, and may not need to be repaid if the conditional terms for the uses of those funds are met. Within 30 days of received the payment, providers must sign an attestation confirming receipt of the funds and agreeing to the terms and conditions of the payment. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, the Organization's ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits. As of December 31, 2021, the Organization has reported to HHS the complete expenditure of all its Provider Relief Funds received to date. Generally, providers are required to retain documentation for three years from the date of the final HHS expenditure report. See Note 2.

NOTE 19 - BASIS FOR QUALIFIED OPINION

The Organization was awarded a $1,954,745 grant from the Tennessee Department of Human Services as part of the Coronavirus Relief Fund during 2020. The Organization received $134,247 during the year ended December 31, 2020 which it recorded as grant revenue at that time. The remaining $1,820,498 was received in 2021 and was recorded as grant income on the Statement of Activities for the year ended December 31, 2021. This grant was a conditional grant and the grant terms were substantially met during 2020, at which time the revenue should have been recorded. The effect of this recognition was a $1,820,498 overstatement of contribution and grant revenue in 2021 and an understatement of opening net assets without donor restrictions. At December 31, 2021 ending net assets without donor restrictions are accurately presented.

NOTE 20 - SUBSEQUENT EVENT

On September 2, 2022, the Organization's subsidiary, Hearthstone entered into an Asset Purchase Agreement with The Hearthstone Institute, LLC ("Seller") and John Zeisel (a former member of the Organization's board) for the purposes of purchasing certain business assets of the Seller, which is engaged in the business of education and training services for memory care facilities.

The aggregate purchase price shall be $800,000, of which is all allocated to goodwill, and such amount less the net working capital holdback amount will be paid to the Seller upon closing. The net working capital holdback amount, as defined in the Asset Purchase Agreement, shall mean $66,000 and is subject to adjustments within 90 days after the closing date. As of the date these financial statements were available to be issued, the final net working capital holdback amount was not determined.

Additionally, Hearthstone entered into an Exclusive License Agreement with the Seller for the purpose of licensing certain copyrighted works. Hearthstone shall pay the Seller $25,000 in 24 equal monthly payments of $1,042 for the exclusive perpetual license to use such copyrighted works and to make enhancements to those copyrighted works. The License Agreement shall remain in effect until terminated by 90 days advance written notice to the Seller.

Additionally, Hearthstone entered into a Consulting Agreement with John Zeisel for the purpose of providing consulting expertise and knowledge in the area of evidence-based memory care best practices. The agreement has an initial term of 12 months and is renewable upon mutual written agreement between both parties. Compensation under this agreement calls for monthly payments of $4,000 plus reasonable expense reimbursements.

ADDITIONAL INFORMATION