

ABE'S GARDEN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2009 AND 2008

ABE'S GARDEN

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Abe's Garden (a nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bellenfant & Miles, PLLC

March 15, 2010

ABE'S GARDEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and Cash Equivalents	\$ 962,314	\$ 119,453
Accounts Receivable	35,073	3,614
Assets Held for Investments	4,900	-
Pledges Receivable	517,134	1,245,098
Inventory	9,116	9,051
Prepaid Expenses	12,005	3,731
	<hr/>	<hr/>
Total Current Assets	1,540,542	1,380,947
	<hr/>	<hr/>
Land, Building and Equipment	13,301,659	13,059,020
Less: Accumulated Depreciation	(326,266)	(153,514)
	<hr/>	<hr/>
Land, Building and Equipment - Net	12,975,393	12,905,506
	<hr/>	<hr/>
Noncurrent Assets		
Pledges Receivable, Due after One Year	482,382	706,834
Commissions - In Kind, Net of Amortization	190,625	195,625
Loan Cost, Net of Amortization	33,430	65,523
Other Assets	416	817
	<hr/>	<hr/>
Total Noncurrent Assets	706,853	968,799
	<hr/>	<hr/>
Total Assets	<u>\$ 15,222,788</u>	<u>\$ 15,255,252</u>

The accompanying notes are an integral part of these financial statements

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 124,970	\$ 96,457
Security and Waiting List Deposits	135,125	113,360
Accrued Interest	15,896	24,803
Lease Payable	6,367	8,479
Property Tax Deferral	165,961	153,033
Personalty Tax Deferral	1,552	2,563
	<hr/>	<hr/>
Total Current Liabilities	449,871	398,695
	<hr/>	<hr/>
Noncurrent Liabilities		
Notes Payable	13,200,000	13,200,000
Line of Credit - Related Party	317,429	216,073
Lease Payable - Noncurrent	-	6,367
	<hr/>	<hr/>
Total Noncurrent Liabilities	13,517,429	13,422,440
	<hr/>	<hr/>
Total Liabilities	13,967,300	13,821,135
	<hr/>	<hr/>
Net Assets		
Unrestricted	(928,108)	(517,815)
Temporarily Restricted	2,183,596	1,951,932
	<hr/>	<hr/>
Total Net Assets	1,255,488	1,434,117
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 15,222,788</u>	<u>\$ 15,255,252</u>

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 259,122	\$ -	\$ 259,122
Capital Campaign Contributions	-	1,951,932	1,951,932
Residential Rent	2,082,363	-	2,082,363
Services Sold to Residents	<u>127,656</u>	<u>-</u>	<u>127,656</u>
Total Support and Revenue	<u>2,469,141</u>	<u>1,951,932</u>	<u>4,421,073</u>
Expenses			
Program Services	2,662,875	-	2,662,875
Supporting Services			
Management and General	154,157	-	154,157
Fundraising	<u>152,838</u>	<u>-</u>	<u>152,838</u>
Total Expenses	<u>2,969,870</u>	<u>-</u>	<u>2,969,870</u>
Other Income			
Interest Income	5,768	-	5,768
Other Income	<u>1,517</u>	<u>-</u>	<u>1,517</u>
Total Other Income	<u>7,285</u>	<u>-</u>	<u>7,285</u>
Change in Net Assets	(493,444)	1,951,932	1,458,488
Net Assets, January 1, 2008	<u>(24,371)</u>	<u>-</u>	<u>(24,371)</u>
Net Assets, December 31, 2008	<u><u>\$ (517,815)</u></u>	<u><u>\$1,951,932</u></u>	<u><u>\$1,434,117</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, 2009

		<u>Support Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,052,240	\$ -	\$ -	\$ 1,052,240
Employee Benefits	98,431	-	-	98,431
Payroll Taxes	88,994	-	-	88,994
Total Salaries and Benefits	<u>1,239,665</u>	<u>-</u>	<u>-</u>	<u>1,239,665</u>
Advertising	9,556	9,932	5,065	24,553
Amortization	32,493	-	5,000	37,493
Cable	11,415	-	-	11,415
Depreciation	171,509	-	1,242	172,751
Equipment Rental	4,337	-	-	4,337
Food	200,978	-	-	200,978
Insurance	25,083	950	-	26,033
Interest	292,907	99,812	-	392,719
Licenses and Fees	2,755	100	300	3,155
Meetings	-	-	2,926	2,926
Miscellaneous	3,245	575	221	4,041
Postage	670	35	1,344	2,049
Printing	5,991	-	6,336	12,327
Professional Fees	194,714	8,498	161,409	364,621
Property Taxes	167,513	-	-	167,513
Repairs & Maintenance	52,193	-	1,757	53,950
Supplies	48,095	24	13,589	61,708
Telephone	11,494	-	-	11,494
Travel	6,165	153	1,650	7,968
Utilities	<u>204,592</u>	<u>-</u>	<u>-</u>	<u>204,592</u>
Total Functional Expenses	<u>\$ 2,685,370</u>	<u>\$ 120,079</u>	<u>\$ 200,839</u>	<u>\$ 3,006,288</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, 2008

		<u>Support Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 626,795	\$ -	\$ -	\$ 626,795
Employee Benefits	81,414	-	-	81,414
Payroll Taxes	54,582	-	-	54,582
Total Salaries and Benefits	762,791	-	-	762,791
Advertising	68,651	-	759	69,410
Amortization	31,139	-	4,375	35,514
Cable	8,312	-	-	8,312
Depreciation	152,570	-	944	153,514
Equipment Rental	2,131	-	-	2,131
Food	188,458	-	-	188,458
Insurance	26,160	950	-	27,110
Interest	423,636	132,007	-	555,643
Licenses and Fees	1,071	750	-	1,821
Meetings	-	6,771	-	6,771
Miscellaneous	298	939	-	1,237
Postage	1,297	229	800	2,326
Printing	3,172	24	7,154	10,350
Professional Fees	490,707	8,855	134,069	633,631
Property Taxes	149,282	-	-	149,282
Repairs & Maintenance	73,273	2,329	128	75,730
Supplies	41,850	255	2,540	44,645
Telephone	11,676	-	-	11,676
Travel	7,612	1,048	2,069	10,729
Utilities	218,789	-	-	218,789
Total Functional Expenses	<u>\$ 2,662,875</u>	<u>\$ 154,157</u>	<u>\$ 152,838</u>	<u>\$ 2,969,870</u>

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

ABE'S GARDEN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2009 AND 2008

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2009</u>	<u>2008</u>
Change in Net Assets	\$ (178,629)	\$ 1,458,488
Depreciation and Amortization	210,244	189,028
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
(Increase) Decrease in:		
Accounts Receivable	(31,459)	(3,614)
Pledges Receivable	952,416	(1,951,932)
Assets held for Investments	(4,900)	-
Prepaid Expenses and Other Assets	(8,274)	(1,488)
Inventory	(65)	(9,051)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	28,513	93,312
Security and Waiting List Deposits	21,765	113,360
Accrued Interest	(8,907)	24,381
Tax Deferrals	11,917	155,596
Net Cash Provided by Operating Activities	<u>992,621</u>	<u>68,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Land, Building and Equipment	<u>(242,637)</u>	<u>(13,057,500)</u>
Net Cash Used by Investing Activities	<u>(242,637)</u>	<u>(13,057,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Commissions In Kind	-	(200,000)
Loan Costs	-	(96,279)
Assumption of capital lease	-	21,620
Lease Principal Payments	(8,479)	(6,774)
Proceeds from Borrowings	<u>101,356</u>	<u>13,366,073</u>
Net Cash Provided by Investing Activities	<u>92,877</u>	<u>13,084,640</u>
Net Increase in Cash	842,861	95,220
Cash, beginning of year	<u>119,453</u>	<u>24,233</u>
Cash, end of year	<u>\$ 962,314</u>	<u>\$ 119,453</u>

Supplemental Cash Flows Information:

During the year ended December 31, 2009, the Organization paid \$401,626 in interest expense

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Abe's Garden ("the Organization") is a nonprofit organization incorporated in Tennessee that is a luxury independent senior citizen living facility specializing in Alzheimers and adult care. The Organization was founded on May 25, 2007.

Classification of Restricted and Unrestricted Net Assets:

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Codification requires Abe's Garden, Inc. to report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted funds received and released from restrictions in the same period are reported as unrestricted support. At December 31, 2009 and 2008, and for the year then ended, there were no permanent restrictions on assets.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2009 and 2008 were \$24,553 and \$69,410, respectively.

Basis of Presentation:

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

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation:

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

Income Taxes:

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

Cash:

Abe's Garden considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Assets and Services:

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have donated significant amounts of their time to Abe's Garden, Inc.'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 \$200,000 were recorded as in-kind for commissions that would have been paid for the acquisition of land, building, and equipment of the facility known as Park Manor for the year ended December 31, 2008. Contributions of \$4,076 were recorded as in-kind for the year ended December 31, 2009.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the 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, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentration of Credit Risk:

Financial instruments that potentially subject Abe's Garden to concentrations of credit risk consist principally of cash on deposit and pledges receivable. Cash deposits are primarily in financial institutions in Tennessee and at times, may exceed FDIC limits (\$250,000 as of December 31, 2009). The cash deposits exceeded federally insured amounts by \$704,292 as of December 31, 2009. 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, 2009 and 2008.

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, Inc. 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, 2009 and 2008, and determined that no additional allowance is considered necessary.

2. LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at December 31, is as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	5,865,564	5,655,815
Equipment	<u>163,820</u>	<u>130,930</u>
	13,301,659	13,059,020
Less: Accumulated Depreciation	<u>(326,266)</u>	<u>(153,514)</u>
Land, Building and Equipment - net	<u>\$12,975,393</u>	<u>\$12,905,506</u>

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009 AND 2008

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from a board member at December 31, 2009. 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 3.25% is \$954,242. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2009 consist of:

	<u>2009</u>	<u>2008</u>
Restricted to capital campaign	\$ 1,000,000	\$ 1,000,000
Less discount to net present value	<u>(45,758)</u>	<u>(48,068)</u>
	<u>\$ 954,242</u>	<u>\$ 951,932</u>
Amounts due in:		
Less than one year	\$ 500,000	\$ 500,000
One to five years	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Line of Credit

The Organization has a demand note, dated October 2, 2007, with a partnership in which a board member is a controlling partner of, available in the amount up to \$1,000,000 for the Development Project. The interest rate on this demand note was modified in January 2009 to the Prime Rate (3.25% as of December 31, 2009). During 2009, \$92,990 was advanced to the Organization. Interest of \$9,065 was accrued, but unpaid, on this loan during 2009. The balance at December 31, 2009 and 2008 was \$317,429 and \$216,073, respectively.

Notes Payable

The same partnership loaned \$1,600,000 to the Organization that matures January 15, 2011. No principal was repaid on this loan during 2009. Interest of \$88,000 and \$84,333 was paid on this loan during 2009 and 2008, respectively.

Payment of Expenses

A board member of the Organization is majority shareholder of the management company that provides significant management and administrative services to the Organization. The Organization paid the management company \$350,606 and \$298,015 in fees and expense reimbursements during 2009 and 2008, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2009 AND 2008

5. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Capital Campaign	<u>\$ 2,183,596</u>	<u>\$ 1,951,932</u>

6. RETIREMENT PLAN

The Organization has a 401(k) Retirement Savings Plan under which the Company is required to match 15% (changed to 5% in April 2009) of employee contributions up to 5% of employee's salaries. The Company's contribution was \$1,109 and \$466 for the years ended December 31, 2009 and 2008, respectively.

7. LEASE PAYABLE

The Organization assumed a capital lease for equipment with Baytree Leasing Company. There are 8 payments left at December 31, 2009 at \$829 each, including principal and interest. Future minimum payments are as follows:

2010	<u>\$ 6,367</u>
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ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2009 AND 2008

8. NOTES PAYABLE

The Organization has the following notes payable at December 31:

All notes payable are non-current.

2009

2008

Note Payable to a commercial bank, dated January 15, 2008, in the amount of \$10,600,000, due in interest only payments starting February 15, 2008 at a rate of prime rate (3.25% at December 31, 2008) minus one percent. All principal and interest is due and payable on January 15, 2011. The note is secured by the real estate of the Organization and a partial personal guarantee.

\$10,600,000

\$10,600,000

Note Payable to a privately owned partnership, dated January 15, 2008, in the amount of \$1,600,000, due in interest only payments starting February 15, 2008 at a rate of 5.5%. All principal and interest is due and payable on January 15, 2011. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable

1,600,000

1,600,000

Note Payable to a Corporation, dated January 15, 2008, in the amount of \$1,000,000, due in interest only payments starting February 15, 2008 at a rate of 5.5%. All principal and interest is due and payable on January 15, 2011. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable

1,000,000

1,000,000

Total Notes Payable

\$13,200,000

\$13,200,000