

ABE'S GARDEN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2015 AND 2014

ABE'S GARDEN

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**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Abe's Garden, which comprise the statements of financial position as of December 31, 2015 and 2014, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2015 and 2014, 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.

April 13, 2016

ABE'S GARDEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,840,081	\$ 3,154,876
Accounts Receivable	105,700	134,654
Pledges Receivable	510,862	1,027,282
Inventory	115,598	18,792
Prepaid Expenses	1,978	20,830
	<hr/>	<hr/>
Total Current Assets	2,574,219	4,356,434
	<hr/>	<hr/>
Land, Building and Equipment	36,450,924	26,657,530
Less: Accumulated Depreciation	(2,225,440)	(1,705,848)
	<hr/>	<hr/>
Land, Building and Equipment - Net	34,225,484	24,951,682
	<hr/>	<hr/>
Noncurrent Assets		
Pledges Receivable, Due after One Year	50,156	273,829
Closing Costs, Net of Amortization	329,812	342,476
Derivative Financial Instruments	-	47,905
Other Assets	66,667	1,800
	<hr/>	<hr/>
Total Noncurrent Assets	446,635	666,010
	<hr/>	<hr/>
Total Assets	<u><u>\$ 37,246,338</u></u>	<u><u>\$ 29,974,126</u></u>

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

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Current Portion of Bonds Payable	\$ 400,000	\$ 400,000
Accounts Payable and Accrued Expenses	431,548	2,501,515
Deferred Grant Revenue	-	745,000
Resident Deposits	641,721	315,070
Accrued Interest	2,222	3,124
Property Tax Accrual	-	188,075
Personalty Tax Accrual	3,900	3,662
Line of Credit	2,632,981	-
Resident Assistance Fund	250,000	-
	<hr/>	<hr/>
Total Current Liabilities	4,362,372	4,156,446
	<hr/>	<hr/>
Noncurrent Liabilities		
Notes Payable	1,363,122	1,363,122
Derivative Financial Instruments	244,678	-
Non-Current Portion of Bonds Payable (Series 2011)	10,600,000	11,000,000
Non-Current Portion of Bonds Payable (Series 2014)	12,500,000	5,176,531
	<hr/>	<hr/>
Total Noncurrent Liabilities	24,707,800	17,539,653
	<hr/>	<hr/>
Total Liabilities	29,070,172	21,696,099
	<hr/>	<hr/>
Net Assets		
Unrestricted	8,176,166	8,278,027
	<hr/>	<hr/>
Total Net Assets	8,176,166	8,278,027
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 37,246,338</u>	<u>\$ 29,974,126</u>

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

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Residential Rent	5,142,025	\$ -	\$ 5,142,025
Contributions	1,330,863	-	1,330,863
Services Sold to Residents	803,521	-	803,521
Gain/Loss on Investments	(926)	-	(926)
Net Assets Released from Restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	7,275,483	-	7,275,483
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services	6,458,748	-	6,458,748
Supporting Services			
Management and General	425,985	-	425,985
Fundraising	520,479	-	520,479
	<hr/>	<hr/>	<hr/>
Total Supporting Services	7,405,212	-	7,405,212
Loss on Sale of Assets	38,849	-	38,849
	<hr/>	<hr/>	<hr/>
Total Expenses	7,444,061	-	7,444,061
	<hr/>	<hr/>	<hr/>
Other Income			
Property Tax Refund	66,131		66,131
Interest Income	586	-	586
	<hr/>	<hr/>	<hr/>
Total Other Income	66,717	-	66,717
Change in Net Assets	(101,861)	-	(101,861)
Net Assets, January 1, 2015	8,278,027	-	8,278,027
	<hr/>	<hr/>	<hr/>
Net Assets, December 31, 2015	\$ 8,176,166	\$ -	\$ 8,176,166
	<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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Residential Rent	4,596,650	\$ -	\$ 4,596,650
Contributions	1,155,907	-	1,155,907
Services Sold to Residents	859,119	-	859,119
	<hr/>	<hr/>	<hr/>
Total Support and Revenue	6,611,676	-	6,611,676
Expenses			
Program Services	5,165,029	-	5,165,029
Supporting Services			
Management and General	184,094	-	184,094
Fundraising	484,407	-	484,407
	<hr/>	<hr/>	<hr/>
Total Supporting Services	5,833,530	-	5,833,530
Loss on Sale of Assets	(202,054)	-	(202,054)
	<hr/>	<hr/>	<hr/>
Total Expenses	6,035,584	-	6,035,584
Other Income			
Interest Income	2,365	-	2,365
	<hr/>	<hr/>	<hr/>
Total Other Income	2,365	-	2,365
Change in Net Assets	578,457	-	578,457
Net Assets, January 1, 2014	7,699,570	-	7,699,570
	<hr/>	<hr/>	<hr/>
Net Assets, December 31, 2014	<u>\$ 8,278,027</u>	<u>\$ -</u>	<u>\$ 8,278,027</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, 2015

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,177,164	\$ 65,368	\$ 293,455	\$ 3,535,987
Employee Benefits	282,120	2,860	20,983	305,963
Payroll Taxes	242,427	5,040	20,170	267,637
Total Salaries and Benefits	3,701,711	73,268	334,608	4,109,587
Advertising	34,106	-	22,551	56,657
Amortization	3,612	-	5,000	8,612
Depreciation	598,350	-	155	598,505
Education and Technology	46,751	-	-	46,751
Food	314,419	-	-	314,419
Insurance	68,287	4,198	-	72,485
Interest	624,353	213,808	-	838,161
Licenses and Fees	3,205	-	240	3,445
Meetings	1,367	584	71,157	73,108
Miscellaneous	6,044	-	483	6,527
Payroll Fees	78,182	1,398	6,090	85,670
Postage	3,526	-	6,540	10,066
Printing	14,919	-	27,179	42,098
Contracted Services	339,660	131,837	36,438	507,935
Repairs and Maintenance	110,755	-	624	111,379
Supplies	165,560	191	7,785	173,536
Telephone and Cable	28,468	-	-	28,468
Travel	23,357	701	1,629	25,687
Utilities	292,116	-	-	292,116
Total Functional Expenses	<u>\$ 6,458,748</u>	<u>\$ 425,985</u>	<u>\$ 520,479</u>	<u>\$ 7,405,212</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, 2014

	<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,416,808	\$ -	\$ 257,692	\$ 2,674,500
Contractual Employees	-	-	-	-
Employee Benefits	301,163	-	18,664	319,827
Payroll Taxes	188,426	-	17,830	206,256
Total Salaries and Benefits	2,906,397	-	294,186	3,200,583
Advertising	22,611	-	45,342	67,953
Amortization	3,612	-	5,000	8,612
Depreciation	416,166	-	234	416,400
Food	369,317	-	-	369,317
Insurance	62,956	2,294	4,054	69,304
Interest	544,781	109,020	-	653,801
Licenses and Fees	10,075	-	-	10,075
Meetings	2,167	15,223	31,358	48,748
Miscellaneous	2,274	-	219	2,493
Postage	1,607	74	3,595	5,276
Printing	1,287	41	20,261	21,589
Contracted Services	148,679	54,105	69,222	272,006
Property Taxes	191,737	-	-	191,737
Repairs and Maintenance	82,154	-	741	82,895
Supplies	104,235	176	7,083	111,494
Telephone and Cable	26,727	-	-	26,727
Travel	9,922	3,161	3,112	16,195
Utilities	258,325	-	-	258,325
Total Functional Expenses	<u>\$ 5,165,029</u>	<u>\$ 184,094</u>	<u>\$ 484,407</u>	<u>\$ 5,833,530</u>

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

ABE'S GARDEN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2015</u>	<u>2014</u>
Change in Net Assets	\$ (101,861)	\$ 578,457
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	607,117	425,012
(Increase) Decrease in:		
Accounts Receivable	28,954	(54,723)
Pledges Receivable	740,093	241,623
Prepaid Expenses	18,852	(8,545)
Inventory	(96,806)	785
Derivative Financial Instruments	47,905	183,997
Other Assets	(64,867)	
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(2,069,967)	1,924,651
Tenant Deposits	326,651	1,732
Accrued Interest	(902)	(543)
Tax Accruals	(187,837)	(8,660)
Deferred Grant Revenue	(745,000)	745,000
Resident Assistance Fund	250,000	
Derivative Financial Instruments	244,678	-
Net Cash Provided (Used) by Operating Activities	<u>(1,002,990)</u>	<u>4,028,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	<u>(9,868,255)</u>	<u>(6,930,927)</u>
Net Cash Used by Investing Activities	<u>(9,868,255)</u>	<u>(6,930,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments Made on Notes Payable	-	(236,878)
Proceeds From the Issuance of Bonds	7,323,469	5,077,936
Proceeds from Line of Credit	2,632,981	-
Payments on Bonds Payable	<u>(400,000)</u>	<u>(400,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>9,556,450</u>	<u>4,441,058</u>
Net Increase (Decrease) in Cash	(1,314,795)	1,538,917
Cash, beginning of year	<u>3,154,876</u>	<u>1,615,959</u>
Cash, end of year	<u>\$ 1,840,081</u>	<u>\$ 3,154,876</u>

Supplemental Cash Flows Information:

During the years ended December 31, 2015 and 2014, the Organization paid interest of \$838,161 and \$469,805, respectively.

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

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 community specializing in Alzheimer's and adult care. The Organization was founded on May 25, 2007.

Classification of Restricted and Unrestricted Net Assets:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of December 31, 2015 or 2014.

Permanently restricted net assets - 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 no permanently restricted net assets as of December 31, 2015 or 2014.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2015 and 2014 were \$56,657 and \$67,953, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

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 2012 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 \$54,390 and \$48,123 were recorded as in-kind for the year ended December 31, 2015 and 2014, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

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 \$1,604,971 and \$2,782,491 as of December 31, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014, 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>2015</u>	<u>2014</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	27,371,103	18,542,384
Equipment	<u>1,807,546</u>	<u>842,871</u>
	36,450,924	26,657,530
Less: Accumulated Depreciation	<u>(2,225,440)</u>	<u>(1,705,848)</u>
Land, Building and Equipment - net	<u>\$34,225,484</u>	<u>\$24,951,682</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 2015. 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 2.60% is \$88,881. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
Unrestricted	\$ 100,925	\$ 471,500
Less discount to net present value	<u>(12,044)</u>	<u>(36,644)</u>
	<u>\$ 88,881</u>	<u>\$ 434,856</u>
Amounts due in:		
Less than one year	\$ 925	\$ 361,250
One to five years	<u>100,000</u>	<u>110,250</u>
	<u>\$ 100,925</u>	<u>\$ 471,500</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 \$74,972 and \$88,000 was paid on the loan in the year ended December 31, 2015 and 2014, respectively.

Line of Credit

A partnership in which a board member is a controlling partner, financed a line of credit with the Organization. Interest of \$18,800 and \$0 was paid on the line of credit in the year ended December 31, 2015 and 2014, respectively. The balance as of December 31, 2015 and 2014 was \$2,632,981 and \$0, respectively.

Payment of Expenses

A board member is majority shareholder of the company which provides certain back office administrative and payroll services to the Organization. The Organization reimbursed, the company at cost, for the direct cost of payroll and other related expenses in the amounts of \$214,370 and \$104,437 for the years ended December 31, 2015 and 2014, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

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 maximum amount allowed by the Internal Revenue Service guidelines. The Company's contribution was \$5,100 and \$732 for the years ended December 31, 2015 and 2014, respectively.

5. NOTE PAYABLE

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, 2021. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.

2015

2014

\$ 1,363,122

\$ 1,363,122

As of December 31, 2015, the note payable matures as follows:

2021

\$ 1,363,122

\$ 1,363,122

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

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 (2.62% as of December 31, 2015). The bonds are secured by the land and building of Abe's Garden Project.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 150 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2015, the Organization was in compliance with the debt covenants.

		As of December 31, 2015, Bonds Payable	
		mature as follows:	
Total Bonds Payable	\$11,000,000		
Less Current Portion	<u>400,000</u>		
Non-Current Portion of	<u>\$10,600,000</u>	2016	\$ 400,000
Bonds Payable		2017	400,000
		2018	400,000
		2019	400,000
		2020 and thereafter	<u>9,400,000</u>
			<u>\$11,000,000</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

6. BONDS PAYABLE (CONTINUED)

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 was used to fund a loan with a commercial bank and to provide additional funds for the continuing development of the Abe's Garden Project. The Organization has signed a loan agreement with Suntrust Bank that stipulates payment terms relating to principal and interest. The bonds mature on May 1, 2039. Interest is accrued at the rate of 2.62%. The bonds are secured by the land and building of the Abe's Garden Project.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 100 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2015, the Organization was in compliance with the debt covenants.

Total Bonds Payable	\$12,500,000	As of December 31, 2015, Bonds Payable	
Less Current Portion	<u>-</u>	mature as follows:	
		2016	\$ -
Non-Current Portion of	<u>\$12,500,000</u>	2017	450,000
Bonds Payable		2018	450,000
		2019	450,000
		2020 and thereafter	<u>11,150,000</u>
			<u>\$12,500,000</u>

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 13, 2016, which is the date the financial statements were available to be issued.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

8 DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$23.5 million as of December 31, 2015 and \$11.4 million as of December 31, 2014. 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, 2015 and 2014, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2016 through 2024, totaled \$22,111,885 and \$10,000,000 respectively.

2015

As of December 31, 2015, the fair value of the interest rate swap agreements was an liability of \$244,678 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 \$292,584 for the year ended December 31, 2015 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 for Derivative Financial Instruments, January 1, 2015	\$ 47,906
Loss on interest rate swap	<u>292,584</u>
Liability for Derivative Financial Instruments, December 31, 2015	<u>\$ (244,678)</u>
Interest Paid on Debt	\$ 545,577
Loss on interest rate swap	<u>292,584</u>
Interest expense, per statement of functional expenses	<u>\$ 838,161</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015 AND 2014

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2014

As of December 31, 2014, the fair value of the interest rate swap agreements was an asset of \$47,905 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 loss of \$183,996 for the year ended December 31, 2014 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 for Derivative Financial Instruments, January 1, 2014	\$ 231,902
Loss on interest rate swap	<u>183,996</u>
Asset for Derivative Financial Instruments, December 31, 2014	<u>\$ 47,906</u>
Interest Paid on Debt	\$ 469,805
Loss on interest rate swap	<u>183,996</u>
Interest expense, per statement of functional expenses	<u>\$ 653,801</u>