

**ABE'S GARDEN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2014 AND 2013**

## **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 financial statements of Abe's Garden, which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

### **Auditors' 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 auditors' 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, 2014 and 2013, 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 & Miles, PLLC*

April 15, 2015

**ABE'S GARDEN**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 3,154,876	\$ 1,615,959
Accounts Receivable	134,654	79,931
Pledges Receivable	1,027,282	859,112
Inventory	18,792	19,577
Prepaid Expenses	20,830	12,285
	<hr/>	<hr/>
Total Current Assets	4,356,434	2,586,864
	<hr/>	<hr/>
<b>Land, Building and Equipment</b>	26,657,530	19,726,603
Less: Accumulated Depreciation	(1,705,848)	(1,289,447)
	<hr/>	<hr/>
Land, Building and Equipment - Net	24,951,682	18,437,156
	<hr/>	<hr/>
<b>Noncurrent Assets</b>		
Pledges Receivable, Due after One Year	273,829	683,622
Closing Costs, Net of Amortization	342,476	252,492
Derivative Financial Instruments	47,905	231,902
Other Assets	1,800	1,800
	<hr/>	<hr/>
Total Noncurrent Assets	666,010	1,169,816
	<hr/>	<hr/>
Total Assets	<u><u>\$ 29,974,126</u></u>	<u><u>\$ 22,193,836</u></u>

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

**ABE'S GARDEN**

**STATEMENTS OF FINANCIAL POSITION - CONTINUED**

**DECEMBER 31, 2014 AND 2013**

**LIABILITIES AND NET ASSETS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Current Liabilities</b>		
Current Portion of Bonds Payable	\$ 400,000	\$ 400,000
Accounts Payable and Accrued Expenses	2,501,515	576,864
Deferred Grant Revenue	745,000	-
Tenant Deposits	315,070	313,338
Accrued Interest	3,124	3,667
Property Tax Accrual	188,075	197,807
Personalty Tax Accrual	3,662	2,590
	<hr/>	<hr/>
Total Current Liabilities	4,156,446	1,494,266
	<hr/>	<hr/>
<b>Noncurrent Liabilities</b>		
Notes Payable	1,363,122	1,600,000
Non-Current Portion of Bonds Payable (Series 2011)	11,000,000	11,400,000
Non-Current Portion of Bonds Payable (Series 2014)	5,176,531	-
	<hr/>	<hr/>
Total Noncurrent Liabilities	17,539,653	13,000,000
	<hr/>	<hr/>
Total Liabilities	21,696,099	14,494,266
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted	8,278,027	7,699,570
	<hr/>	<hr/>
Total Net Assets	8,278,027	7,699,570
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 29,974,126</u>	<u>\$ 22,193,836</u>

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>
<b>Support and Revenue</b>			
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
	<hr/>	<hr/>	<hr/>
<b>Expenses</b>			
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
	<hr/>	<hr/>	<hr/>
Loss on Sale of Assets	(202,054)	-	(202,054)
	<hr/>	<hr/>	<hr/>
Total Expenses	6,035,584	-	6,035,584
	<hr/>	<hr/>	<hr/>
Other Income			
Interest Income	2,365	-	2,365
	<hr/>	<hr/>	<hr/>
Total Other Income	2,365	-	2,365
	<hr/>	<hr/>	<hr/>
Change in Net Assets	578,457	-	578,457
	<hr/>	<hr/>	<hr/>
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 ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Residential Rent	4,431,666	\$ -	\$ 4,431,666
Contributions	1,955,253	-	1,955,253
Services Sold to Residents	492,799	-	492,799
Net Assets Released from Restrictions	<u>344,792</u>	<u>(344,792)</u>	<u>-</u>
Total Support and Revenue	<u>7,224,510</u>	<u>(344,792)</u>	<u>6,879,718</u>
<b>Expenses</b>			
Program Services	4,075,434	-	4,075,434
Supporting Services			
Management and General	166,222	-	166,222
Fundraising	<u>364,790</u>	<u>-</u>	<u>364,790</u>
Total Supporting Services	4,606,446	-	4,606,446
Loss on Sale of Assets	<u>661</u>	<u>-</u>	<u>661</u>
Total Expenses	<u>4,607,107</u>	<u>-</u>	<u>4,607,107</u>
Other Income			
Interest Income	<u>4,283</u>	<u>-</u>	<u>4,283</u>
Total Other Income	<u>4,283</u>	<u>-</u>	<u>4,283</u>
Change in Net Assets	2,621,686	(344,792)	2,276,894
Net Assets, January 1, 2013	<u>5,077,884</u>	<u>344,792</u>	<u>5,422,676</u>
Net Assets, December 31, 2013	<u>\$ 7,699,570</u>	<u>\$ -</u>	<u>\$ 7,699,570</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**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
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
<b>Total Salaries and Benefits</b>	<b>2,906,397</b>	<b>-</b>	<b>294,186</b>	<b>3,200,583</b>
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
<b>Total Functional Expenses</b>	<b>\$ 5,165,029</b>	<b>\$ 184,094</b>	<b>\$ 484,407</b>	<b>\$ 5,833,530</b>

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



**ABE'S GARDEN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Salaries	\$ 2,055,719	\$ -	\$ 151,265	\$ 2,206,984
Employee Benefits	248,297	-	14,134	262,431
Payroll Taxes	169,780	-	11,480	181,260
Total Salaries and Benefits	2,473,796	-	176,879	2,650,675
Advertising	25,242	20	92,919	118,181
Amortization	3,612	-	5,000	8,612
Depreciation	324,271	-	234	324,505
Equipment Rental	237	-	-	237
Food	351,263	-	-	351,263
Insurance	64,924	1,601	4,768	71,293
Interest	50,250	119,100	-	169,350
Licenses and Fees	2,385	-	-	2,385
Meetings	2,951	2,544	6,188	11,683
Miscellaneous	552	-	119	671
Postage	1,826	37	5,448	7,311
Printing	2,353	-	10,862	13,215
Contracted Services	86,232	40,546	52,067	178,845
Property Taxes	180,331	-	-	180,331
Repairs and Maintenance	112,512	-	736	113,248
Supplies	123,981	335	6,109	130,425
Telephone and Cable	26,735	-	120	26,855
Travel	17,722	2,039	3,341	23,102
Utilities	224,259	-	-	224,259
Total Functional Expenses	<u>\$ 4,075,434</u>	<u>\$ 166,222</u>	<u>\$ 364,790</u>	<u>\$ 4,606,446</u>

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

**ABE'S GARDEN**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2014 AND 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Change in Net Assets	\$ 578,457	\$ 2,276,894
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	425,012	333,117
(Increase) Decrease in:		
Accounts Receivable	(54,723)	(22,123)
Pledges Receivable	241,623	(349,803)
Prepaid Expenses	(8,545)	11,731
Inventory	785	(3,529)
Derivative Financial Instruments	183,997	(231,902)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,924,651	76,403
Tenant Deposits	1,732	44,509
Accrued Interest	(543)	-
Tax Accruals	(8,660)	30,905
Deferred Grant Revenue	745,000	-
Derivative Financial Instruments	<u>-</u>	<u>(82,830)</u>
Net Cash Provided by Operating Activities	<u>4,028,786</u>	<u>2,083,372</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Land, Building, and Equipment	<u>(6,930,927)</u>	<u>(1,806,502)</u>
Net Cash Used by Investing Activities	<u>(6,930,927)</u>	<u>(1,806,502)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments Made on Notes Payable	(236,878)	-
Proceeds From the Issuance of Bonds	5,077,936	-
Payments on Bonds Payable	<u>(400,000)</u>	<u>(400,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>4,441,058</u>	<u>(400,000)</u>
Net Increase (Decrease) in Cash	1,538,917	(123,130)
Cash, beginning of year	<u>1,615,959</u>	<u>1,739,089</u>
Cash, end of year	<u><u>\$ 3,154,876</u></u>	<u><u>\$ 1,615,959</u></u>

**Supplemental Cash Flows Information:**

During the years ended December 31, 2014 and 2013, the Organization paid interest of \$469,805 and \$484,082, respectively.

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

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2014 AND 2013

#### 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, 2014 or 2013.

*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, 2014 or 2013.

##### **Advertising:**

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2014 and 2013 were \$67,953 and \$118,181, respectively.

**ABE'S GARDEN**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2014 AND 2013**

**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 2011 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 \$48,123 and \$143,614 were recorded as in-kind for the year ended December 31, 2014 and 2013, respectively.

## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DECEMBER 31, 2014 AND 2013

#### 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 \$2,782,491 and \$1,431,938 as of December 31, 2014 and 2013, 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, 2014 and 2013.

##### **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, 2014 and 2013, 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>2014</u>	<u>2013</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	18,542,384	11,752,508
Equipment	<u>842,871</u>	<u>701,820</u>
	26,657,530	19,726,603
Less: Accumulated Depreciation	<u>(1,705,848)</u>	<u>(1,289,447)</u>
Land, Building and Equipment - net	<u>\$24,951,682</u>	<u>\$18,437,156</u>

## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DECEMBER 31, 2014 AND 2013

### 3. RELATED PARTIES

#### Pledges Receivable

Related party pledges receivable consisted of pledges received from board members at December 31, 2014. 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 \$434,856. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2014 and 2013 consist of:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 471,500	\$ 833,500
Less discount to net present value	<u>(36,644)</u>	<u>(51,298)</u>
	<u>\$ 434,856</u>	<u>\$ 782,202</u>
Amounts due in:		
Less than one year	\$ 361,250	\$ 361,500
One to five years	<u>110,250</u>	<u>472,000</u>
	<u>\$ 471,500</u>	<u>\$ 833,500</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, 2016. Principal in the amount of \$236,878 was paid in 2014. Interest of \$88,000 was paid on the loan in both 2014 and 2013.

#### 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 \$104,437 and \$100,811 the years ended December 31, 2014 and 2013, respectively.

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### DECEMBER 31, 2014 AND 2013

#### 4. RETIREMENT PLAN

The Organization has a 401(k) Retirement Savings Plan under which the Company is required to match 5% of employee contributions up to 5% of employee's salaries. The Company's contribution was \$732 and \$149 for the years ended December 31, 2014 and 2013, respectively.

#### 5. NOTE PAYABLE

	<u>2014</u>	<u>2013</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 5.5%. All principal and interest is due and payable on January 15, 2016. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.	<u>1,363,122</u>	<u>1,600,000</u>

As of December 31, 2014, the note payable matures as follows:

2016	<u>\$ 1,363,122</u>
	<u>\$ 1,363,122</u>

## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DECEMBER 31, 2014 AND 2013

##### 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 (2.60% as of December 31, 2014). 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, 2014, the Organization was in compliance with the debt covenants.

		As of December 31, 2014, Bonds Payable	
		mature as follows:	
Total Bonds Payable	\$11,400,000		
Less Current Portion	<u>400,000</u>		
		2015	\$ 400,000
		2016	400,000
		2017	400,000
		2018	400,000
		2019 and thereafter	<u>9,800,000</u>
			<u>\$11,400,000</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, 2014 was \$5,176,531. 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 2.60%.

The indebtedness is reported as a noncurrent liability since no payments of principal are currently required.



## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DECEMBER 31, 2014 AND 2013

##### 7. DEFERRED REVENUE

In December 2014, the Organization received \$745,000 from the Care Foundation of America. As of December 31, 2014, no expenses had been incurred, therefore, all of the receipts are reported as deferred grant income.

##### 8. SALE OF ASSETS

A building with a carrying value of \$518,278 was contributed to the Organization during 2011. In 2015, the property was sold for \$315,000 incurring a loss from the sale of \$203,278. The original contribution was based on an appraisal in 2011.

Market Value of donated building in 2011	\$ 466,896
Capitalized costs of building operating expense	<u>51,382</u>
Total Carrying Value	518,278
Sales Price	<u>315,000</u>
	(203,278)
Other - Insurance claim	<u>1,224</u>
Loss on Sale of Assets	<u><u>\$ (202,054)</u></u>

##### 9. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 15, 2015, which is the date the financial statements were available to be issued.

## ABE'S GARDEN

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DECEMBER 31, 2014 AND 2013

#### 10 DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$11.4 million as of December 31, 2014 and \$11.8 million as of December 31, 2013. 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, 2014 and 2013, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2016 through 2021, totaled \$10 million.

#### 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>

# ABE'S GARDEN

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### DECEMBER 31, 2014 AND 2013

#### 10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

##### 2013

As of December 31, 2013, the fair value of the interest rate swap agreements was an asset of \$231,902 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 \$314,732 for the year ended December 31, 2013 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:

Liability for Derivative Financial Instruments, January 1, 2013	\$ 82,830
Gain on interest rate swap	<u>314,732</u>
Asset for Derivative Financial Instruments, December 31, 2013	<u>\$ 231,902</u>
Interest Paid on Debt	\$ 484,082
Gain on interest rate swap	<u>314,732</u>
Interest expense, per statement of functional expenses	<u>\$ 169,350</u>