# ABE'S GARDEN AND SUBSIDIARY

# CONSOLIDATED FINANCIAL STATEMENTS
# AND
# INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022

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AND
INDEPENDENT AUDITOR'S REPORT

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TABLE OF CONTENTS

KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Abe's Garden and Subsidiary
Nashville, Tennessee

OPINION

We have audited the accompanying consolidated financial statements of Abe's Garden and Subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Abe's Garden and Subsidiary as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTER

As discussed in Note 3 to the consolidated financial statements, the Organization has elected to change its method of accounting for leases, during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

KraftCPAs PLLC

Nashville, Tennessee
July 28, 2023

ABE'S GARDEN AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

| | |
|---|---|
| CURRENT ASSETS | |
| Cash and cash equivalents | $ 3,101,182 |
| Investments | 1,823,866 |
| Accounts receivable | 105,599 |
| Current contributions receivable, net | 91,342 |
| Current capital campaign - unconditional promises to give, net | 2,058,924 |
| Inventory | 175,624 |
| Prepaid expenses | 28,641 |
| TOTAL CURRENT ASSETS | 7,385,178 |
| Property and equipment, net | 30,652,773 |
| Goodwill and other intangible assets | 689,730 |
| Non-current contributions receivable, net | 56,533 |
| Non-current capital campaign - unconditional promises to give, net | 4,207,895 |
| Operating leases, right-of-use assets | 112,133 |
| Fair value of interest rate swap agreement | 209,216 |
| Other assets | 79,414 |
| TOTAL ASSETS | $ 43,392,872 |

LIABILITIES AND NET ASSETS

| | |
|---|---|
| CURRENT LIABILITIES | |
| Current portion of bonds payable | $ 900,000 |
| Finance leases, current portion | 8,248 |
| Operating lease liabilities, current portion | 47,883 |
| Accounts payable | 185,259 |
| Accrued expenses | 550,238 |
| Contract liabilities | 865,743 |
| Resident assistance fund | 329,302 |
| TOTAL CURRENT LIABILITIES | 2,886,673 |
| Related party - notes payable | 1,363,052 |
| Related party - line of credit | 2,776,830 |
| Bonds payable, net of current portion and unamortized debt issuance costs | 16,590,084 |
| Finance leases, noncurrent portion | 26,284 |
| Operating lease liabilities, noncurrent portion | 66,741 |
| TOTAL LIABILITIES | 23,709,664 |
| NET ASSETS | |
| Net assets with donor restrictions | 8,647,371 |
| Net assets without donor restrictions | 11,035,837 |
| TOTAL NET ASSETS | 19,683,208 |
| TOTAL LIABILITIES AND NET ASSETS | $ 43,392,872 |

See accompanying notes to the consolidated financial statements.

ABE'S GARDEN AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| SUPPORT AND REVENUE | | | |
| Residential rent | $ 9,170,206 | $ - | $ 9,170,206 |
| Services to residents | 1,152,699 | - | 1,152,699 |
| Contributions and grants | 1,421,816 | 7,285,519 | 8,707,335 |
| Contributed nonfinancial assets | 126,243 | - | 126,243 |
| Investment loss, net | (105,008) | - | (105,008) |
| Loss on disposal of property and equipment | (1,183) | - | (1,183) |
| Change in fair value on interest rate swap agreement | 470,135 | - | 470,135 |
| Released from restriction | 574,598 | (574,598) | - |
| TOTAL SUPPORT AND REVENUE | 12,809,506 | 6,710,921 | 19,520,427 |
| EXPENSES | | | |
| Program services | 8,508,262 | - | 8,508,262 |
| Supporting services: | | | |
| Management and general | 2,218,878 | - | 2,218,878 |
| Fundraising | 776,095 | - | 776,095 |
| TOTAL EXPENSES | 11,503,235 | - | 11,503,235 |
| CHANGE IN NET ASSETS | 1,306,271 | 6,710,921 | 8,017,192 |
| NET ASSETS - BEGINNING OF YEAR | 9,729,566 | 1,936,450 | 11,666,016 |
| NET ASSETS - END OF YEAR | $ 11,035,837 | $ 8,647,371 | $ 19,683,208 |

See accompanying notes to the consolidated financial statements.

ABE'S GARDEN AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | |
|---|---|---|---|---|---|---|---|
| | ABE'S GARDEN | HEARTHSTONE | TOTAL PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUNDRAISING SERVICES | TOTAL SUPPORTING SERVICES | TOTAL EXPENSES |
| Salaries | $ 4,941,565 | $ 97,242 | $ 5,038,807 | $ 447,966 | $ 321,586 | $ 769,552 | $ 5,808,359 |
| Employee benefits | 634,614 | 2,091 | 636,705 | 59,889 | 27,383 | 87,272 | 723,977 |
| Payroll taxes | 371,061 | 7,522 | 378,583 | 32,720 | 23,025 | 55,745 | 434,328 |
| TOTAL SALARIES AND RELATED EXPENSES | 5,947,240 | 106,855 | 6,054,095 | 540,575 | 371,994 | 912,569 | 6,966,664 |
| Advertising | 90,948 | 425 | 91,373 | - | 1,750 | 1,750 | 93,123 |
| Amortization | - | - | - | 23,656 | - | 23,656 | 23,656 |
| Contracted services | 242,474 | 21,200 | 263,674 | 257,928 | 331,325 | 589,253 | 852,927 |
| Depreciation | 720,797 | - | 720,797 | 444,761 | 1,370 | 446,131 | 1,166,928 |
| Dues and subscriptions | 7,657 | 1,300 | 8,957 | 16,674 | 965 | 17,639 | 26,596 |
| Education and technology | 4,845 | 40 | 4,885 | - | 177 | 177 | 5,062 |
| Food | 561,473 | - | 561,473 | - | - | - | 561,473 |
| Insurance | 40,130 | - | 40,130 | 93,588 | - | 93,588 | 133,718 |
| Interest | - | - | - | 768,014 | - | 768,014 | 768,014 |
| Licenses and fees | 1,178 | 4,167 | 5,345 | 13,228 | 1,178 | 14,406 | 19,751 |
| Meetings | 1,800 | 284 | 2,084 | - | - | - | 2,084 |
| Miscellaneous | 8,713 | 1,637 | 10,350 | 128 | - | 128 | 10,478 |
| Payroll fees | 42,345 | - | 42,345 | 1,681 | 2,044 | 3,725 | 46,070 |
| Postage | 2,071 | 47 | 2,118 | 230 | 3,448 | 3,678 | 5,796 |
| Printing | 4,766 | - | 4,766 | 451 | 14,240 | 14,691 | 19,457 |
| Property taxes | 97,708 | - | 97,708 | 10,857 | - | 10,857 | 108,565 |
| Rent | - | - | - | - | 46,589 | 46,589 | 46,589 |
| Repairs and maintenance | 60,945 | - | 60,945 | - | - | - | 60,945 |
| Supplies | 175,076 | 249 | 175,325 | 392 | 35 | 427 | 175,752 |
| Telephone and cable | 26,491 | - | 26,491 | 3,098 | - | 3,098 | 29,589 |
| Travel and meetings | 12,071 | 2,769 | 14,840 | 7,999 | 980 | 8,979 | 23,819 |
| Utilities | 320,561 | - | 320,561 | 35,618 | - | 35,618 | 356,179 |
| TOTAL EXPENSES | $ 8,369,289 | $ 138,973 | $ 8,508,262 | $ 2,218,878 | $ 776,095 | $ 2,994,973 | $ 11,503,235 |

See accompanying notes to the consolidated financial statements.

ABE'S GARDEN AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | $ 8,017,192 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Realized and unrealized losses on investments | 153,108 |
| Depreciation | 1,166,928 |
| Amortization | 23,656 |
| Amortization of debt issuance cost | 12,664 |
| Loss on disposal of property and equipment | (1,183) |
| Change in fair value on interest rate swap agreement | (470,135) |
| Capital campaign contributions | (6,502,806) |
| Changes in assets and liabilities: | |
| Accounts receivable | (84,161) |
| Contributions receivable | 47,839 |
| Prepaid expenses | (6,745) |
| Operating leases, right-of-use assets | (40,990) |
| Other assets | (8,247) |
| Accounts payable | 50,897 |
| Accrued expenses | 176,025 |
| Contract liabilities | (23,289) |
| Resident assistance fund | 6,164 |
| Operating leases liabilities | 43,480 |
| TOTAL ADJUSTMENTS | (5,456,795) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 2,560,397 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of property and equipment | (561,985) |
| Purchases of investments | (11,877) |
| Proceeds from sale of investments | 158,559 |
| Cash paid for acquisition, net of cash received | (713,386) |
| NET CASH USED IN INVESTING ACTIVITIES | (1,128,689) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal payments on bonds payable | (875,000) |
| Proceeds from contributions restricted for long-term purposes | 1,326,052 |
| Principal payments on finance lease liabilities | (8,523) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 442,529 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 1,874,237 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 1,226,945 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $ 3,101,182 |

See accompanying notes to the consolidated financial statements.

## NOTE 1 - ORGANIZATION AND GENERAL

Abe's Garden ("Abe's Garden") 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, in-home care and adult day care services. The Organization was founded on May 25, 2007.

On December 6, 2021, the Organization formed a wholly owned subsidiary, Hearthstone Education Institute, LLC ("Hearthstone"). The purpose of the subsidiary is to train caregivers and staff working in memory care how to be aware, skilled, effective and confident. See Note 4.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements include the accounts of Abe's Garden and Hearthstone (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Basis of Presentation

The accompanying consolidated financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

- *Net assets donor restrictions:* Net assets subject to donors (or certain grantors) imposed restrictions. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor and certain grantor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue Recognition

*Contributions* - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

*Residential rent and service to residents* - The Organization recognizes revenue over time as it satisfies a performance obligation by providing living space and services to its residents on a daily basis until termination of the contract. These contracts are standard for all residents. The Organization has the right to consideration from the resident in an amount that directly corresponds with the value to the resident of the Organization's performance to date.

### Contributions of Nonfinancial Assets

The Organization reports any gifts of property, equipment, or materials at the estimated fair value at the date of gift as support without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as support with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills and would have otherwise been purchased by the Organization. Contributions of nonfinancial assets consist of donated professional services and other items utilized in the Organization's program and are valued at fair values if the goods or services would have otherwise been purchased.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, cash includes time deposits and certain highly liquid debt instruments with original maturities of three months or less. Cash equivalents also include certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

### Inventory

Inventories consist primarily of dietary and general supplies and are stated at the lower of cost (first-in, first-out) or net realizable value.

### Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis. Prepaid expenses as of December 31, 2022 were $28,641.

### Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the consolidated statement of activities. Investment income is reported net of investment fees.

### Fair Value Measurements

The Organization classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market, but for which observable market inputs are readily available), and Level 3 (valued based on significant, unobservable inputs). An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

*Investments - equity and fixed income securities* - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy. These investments also include securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data, and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

*Investments - membership interest* - Pareto Holdings Technologies, LLC is valued annually based on the allocation of cash transactions at cost which approximates fair value.

*Derivative instruments* - These are reported at fair value utilizing Level 2 inputs. The Organization obtains bank quotations to value its interest rate swap.

There have been no changes in the valuation methodologies used at December 31, 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Property and Equipment

The Organization's policy to capitalize fixed assets over $500. Property and equipment are reported at cost, net of accumulated depreciation, and include improvements that significantly add to productive capacity or extend useful lives. Donated fixed assets are reported as contributions at estimated fair value. Unless donor-restricted, all donated fixed assets are reported as increases in net assets without donor restrictions. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is included in operations for the period. Gains on trade-ins are applied to reduce the cost of the new acquisition. Depreciation is recorded using the straight-line method over the assets' estimated useful lives, except for leasehold improvements, which are depreciated over the shorter of their estimated useful lives or the respective lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|---|---|
| Building and improvements | 10 - 40 years |
| Furniture and equipment | 3 - 12 years |
| Leasehold improvements | Shorter of the term of lease not greater than 15 years |

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase consideration over fair value of net assets acquired in business combinations. The Organization has adopted the alternative accounting approach for the subsequent accounting for goodwill as provided for in Accounting Standards Update ("ASU") No. 2014-02. As such, the Organization amortizes goodwill on a straight-line basis over a period of 10 years. Also pursuant to the accounting alternative, the Organization will test its goodwill for impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount.

Intangible assets with identifiable estimated useful lives consist of trademarks and are amortized on a straight-line basis over the estimated benefit periods.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2022.

Derivative Financial Instruments

The Organization uses derivatives to manage risk related to interest rate movements. Interest rate swap contracts designated and qualifying as a cash flow hedge are reported at fair value. The gain or loss on the hedge is included on the consolidated statement of activities as support and revenue. The Organization documents its risk strategy and hedge effectiveness at the inception of and during the term of each hedge.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

### Compensated Absences

Accrued liabilities for compensated absences, (paid time off and sick time) included in accrued expenses on the consolidated statement of financial position at December 31, 2022 and amounted to $71,307.

### Debt Issuance Costs

Debt issuance costs consist of the costs for acquiring financing and are recognized as a discount to long-term debt. The costs are amortized over the term of the mortgage loan using the effective interest method. Amortization of the costs is included in interest expense. As of December 31, 2022, unamortized debt issuance costs were $241,166, net of accumulated amortization of $149,222. For the year ended December 31, 2022, amortization totaled $12,664. Amortization for each of the five ensuing years through December 31, 2027, is expected to be $12,664.

### Contract Liabilities

Contract liabilities represent payments received in advance of providing services under certain contracts. The Organization bills residents in advance for the following month. All advance billings are recognized as revenue when the services are performed. Contract liabilities are classified as a current liability as the Organization expects the performance obligations to be satisfied within one year of the consolidated statement of financial position date.

The Organization collects a security deposit from residents in varying amounts in advance of providing services. These deposits amounted to $824,155 as of December 31, 2022 and are included within contract liabilities on the consolidated statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Assistance Fund

The Organization receives contributions from donors to assist residents in paying for the services provided. These funds are recorded as a current liability in the consolidated statement of financial position.

Program and Supporting Services

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services - to establish a replicable model for senior life that is focused on brain health, wellness and purposeful living.

Supporting Services:

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities related to obtaining resources. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the annual fundraising campaign and certain events.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The expenses that are allocated are allocated on the basis of time and effort.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and files a U.S. Federal Form 990. Accordingly, income taxes are not provided in the accompanying consolidated financial statements.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

### Marketing

Marketing costs are expensed as incurred. Marketing expenses amounted to $93,123 for the year ended December 31, 2022.

### Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### New Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization beginning on January 1, 2022 and did not result in a significant change to the consolidated financial statements.

### Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2022 and July 28, 2023, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

## NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued Accounting Standards Codification ("ASC") Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the consolidated statements of operations. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately $153,000 at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

## NOTE 4 - ACQUISITION

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 purchase price was $800,000, subject to a $66,000 working capital holdback amount, plus $32,000 the Organization owed to Hearthstone. Therefore, the cash paid totaled $766,000. The acquisition was 100% funded by a donor to Abe's Garden.

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.

Hearthstone also 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.

The business combination was accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the results of operations of the acquired business are included in the accompanying consolidated financial statements from the date of acquisition. The net assets of the acquired company were adjusted to their estimated fair value as of the date of acquisition. The consideration transferred of $766,000 exceeded the fair value of the net assets acquired. Accordingly, the Company recognized the excess of consideration transferred over the fair value of the net assets acquired of $709,683 as goodwill. The goodwill arises from the cumulative processes and procedures already in place at the acquired entity.

A summary of the transaction follows:

| | |
|---|---|
| ASSETS ACQUIRED | |
| Cash | $ 25 |
| Accounts receivable | 56,292 |
| Goodwill | 709,683 |
| Net purchase considerations | $ 766,000 |

## NOTE 5 - LIQUIDITY AND AVAILABILITY

Financials assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, as of December 31, 2022 are as follows:

| | |
|---|---|
| Financial assets at year-end: | |
| Cash | $ 3,101,182 |
| Investments | 1,823,866 |
| Accounts receivable | 105,599 |
| Current contributions receivable, net | 91,342 |
| Current capital campaign - unconditional promises to give, net | 2,058,924 |
| Total financial assets | 7,180,913 |
| Less amounts not available to be used within one year: | |
| Current contributions receivable, net | 9,422 |
| Current capital campaign - unconditional promises to give, net | 2,058,924 |
| Restricted by the donor with purpose restriction | 2,380,552 |
| | 4,448,898 |
| Financial assets available to meet general expenditures over the next year | $ 2,732,015 |

The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the consolidated statement of financial position date.

## NOTE 6 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash balances.

## NOTE 7 - PROMISES TO GIVE

The Organization is in the process of converting the 4th floor to assisted living, building another memory support wing, renovating portions of the outside building and other building projects. Capital campaign funds have been received from donors for these purposes.

Promises to give consisted of the following as of December 31, 2022:

| | Other | Capital Campaign |
|---|---|---|
| Due in less than one year | $ 96,944 | $ 2,185,200 |
| One to five years | 65,832 | 4,465,970 |
| | 162,776 | 6,651,170 |
| Less: discount to net present value | (14,901) | (384,351) |
| Promises to give, net | $ 147,875 | $ 6,266,819 |

Amounts are presented in the consolidated statement of financial position as follows:

| | Other | Capital Campaign |
|---|---|---|
| Current | $ 91,342 | $ 2,058,924 |
| Long-term | 56,533 | 4,207,895 |
| Total | $ 147,875 | $ 6,266,819 |

## NOTE 8 - INVESTMENTS

Investments consisted of the following at December 31, 2022:

| | |
|---|---|
| Equity securities | $ 953,304 |
| Fixed income securities | 858,685 |
| Pareto Holdings Technologies, LLC | 11,877 |
| | $ 1,823,866 |

The following schedule summarizes the investment loss for the year ended December 31, 2022:

| | |
|---|---|
| Interest and dividend income | $ 62,151 |
| Realized loss on investments | (83,502) |
| Unrealized loss on investments | (69,606) |
| Less: investment management fees | (14,051) |
| | $ (105,008) |

## NOTE 9 - FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis, segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity securities | $ 953,304 | $ - | $ - | $ 953,304 |
| Fixed income securities | - | 858,685 | - | 858,685 |
| Pareto Holdings Technologies, LLC | - | - | 11,877 | 11,877 |
| Interest rate swap agreement | - | 209,216 | - | 209,216 |
| Total investments at fair value | $ 953,304 | $ 1,067,901 | $ 11,877 | $ 2,033,082 |

## NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in fair value of the Organizations Level 3 assets for the year ended December 31, 2022:

| | Pareto Holdings Technologies, LLC |
|---|---|
| Beginning Balance at December 31, 2021 | $ - |
| Contributions | 11,877 |
| Ending Balance at December 31, 2022 | $ 11,877 |

The following table represents the Level 3 instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs at December 31, 2022:

| Instrument | Fair Value December 31, 2022 | Principle Valuation Technique |
|---|---|---|
| Pareto Holdings Technologies, LLC | $ 11,877 | Cash transactions |

## NOTE 10 - INVENTORIES

Inventories consisted of the following at December 31, 2022:

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

## NOTE 11 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2022:

| | |
|---|---|
| Land | $ 7,272,275 |
| Building and improvements | 30,017,459 |
| Leasehold improvements | 6,848 |
| Furniture and equipment | 2,497,985 |
| Construction in-progress | 589,012 |
| Less: accumulated depreciation | (9,730,806) |
| | $ 30,652,773 |

Construction in-progress at December 31, 2022 consists of renovations to residential units and common areas, HVAC and building facade work and adding a memory care household. Estimated costs to complete the projects amount to approximately $21,000,000 at December 31, 2022 and all projects are anticipated to be completed during various periods through the year ended December 31, 2025.

The projects are broken down into four categories which may be constructed separately or simultaneously based on Capital campaign funds raised, and the timing of construction (costs are approximations):

| | |
|---|---|
| Renovation of the 4th floor residential and common areas | $ 1,000,000 |
| Construction of an additional memory care household | $ 14,000,000 |
| Renovations to building exterior and mechanical systems | $ 4,000,000 |
| Other projects, ie., a clinic, bistro and other improvements | $ 2,000,000 |
| | $ 21,000,000 |

## NOTE 12 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consist of the following as of December 31, 2022:

| | |
|---|---|
| Goodwill | $ 709,683 |
| Trademarks | 3,703 |
| Less: accumulated amortization | (23,656) |
| | $ 689,730 |

The estimate aggregate amortization expense is expected to be as follows as of December 31, 2022:

| Year ending December 31, | Amount |
|---|---|
| 2023 | $ 70,968 |
| 2024 | 70,968 |
| 2025 | 70,968 |
| 2026 | 70,968 |
| 2027 | 70,968 |
| Thereafter | 331,187 |
| | $ 686,027 |

Amortization expense totaled $23,656 for the year ended December 31, 2022.

## NOTE 13 - CONTRACT BALANCES

Accounts receivable and contract liabilities from contracts with customers consisted of the following as of December 31, 2022:

| | Accounts receivable | Contract liabilities |
|---|---|---|
| Beginning of year | $ 21,438 | $ 889,032 |
| End of year | $ 105,599 | $ 865,743 |

## NOTE 14 - BONDS PAYABLE

Bonds payable at December 31, 2022 were as follows:

| | |
|---|---|
| Health and Housing Facilities Revenue Bond Series 2011 (a) | $ 8,100,000 |
| Health and Housing Facilities Revenue Bond Series 2014 (b) | 9,631,250 |
| | 17,731,250 |
| Less: unamortized debt issuance cost | (241,166) |
| Less: current maturities | (900,000) |
| Total bonds payable, less current maturities, net | $ 16,590,084 |

(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 w 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 (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 (5.78% as of December 31, 2022). The bonds are secured by substantially all the property and equipment of the Organization. Guaranteed by the Founder and Board Chairman (see also Note 20).

(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 (5.78% as of December 31, 2022). The bonds are secured by substantially all the property and equipment of the Organization. Guaranteed by the Founder and Board Chairman (see also Note 20).

## NOTE 14 - BONDS PAYABLE (CONTINUED)

A summary of future maturities of bonds payable as of December 31, 2022 were as follows:

| Year ending December 31, | Amount |
|---|---|
| 2023 | $ 900,000 |
| 2024 | 981,250 |
| 2025 | 1,000,000 |
| 2026 | 1,000,000 |
| 2027 | 1,012,500 |
| Thereafter | 12,837,500 |
| | $ 17,731,250 |

## NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreement is 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 arrangement, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. The interest rate swap agreement is a derivative instrument that is required to be marked to fair value and recorded on the consolidated statement of financial position. As of December 31, 2022, the aggregate notional principal amount under the interest rate swap agreement, with a maturity date of May 1, 2024, totaled $9,750,000.

As of December 31, 2022, the fair value of the interest rate swap agreement was an asset of $209,216 and is included as a noncurrent asset on the accompanying consolidated statement of financial position. The change in fair value on this interest rate swap agreement resulted in a gain of $470,135 for the year ended December 31, 2022.

## NOTE 16 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received contributed nonfinancial assets from related parties (see Note 20) for the year ended December 31, 2022 as follows:

| | |
|---|---|
| Facilties rental | $ 8,145 |
| Professional marketing services | 117,869 |
| Donated food | 229 |
| | $ 126,243 |

## NOTE 17 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

| | |
|---|---|
| Contributions and promises to give - time and purpose restrictions: | |
| Capital campaign pledges receivable | $ 6,266,819 |
| Purpose restrictions: | |
| Unexpended capital campaign collections | $ 1,747,916 |
| Care Foundation of America Grant - Challenge Grant | 318,223 |
| Care Foundation of America Grant - Lighting Study | 39,734 |
| Music Therapy Program | 269,648 |
| Tom Force Employee Education Fund | 5,031 |
| | $ 8,647,371 |

## NOTE 18 - 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 paid the full lease amount including any operating expenses on behalf of the Organization through February 2022. During March 2022, the Organization began paying the rent on the office space, of which the rent expense is subsequently reimbursed via an unrestricted contribution by a donor of Abe's Garden.

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

The components of lease expense are as follows for the year ended December 31, 2022:

| | | |
|---|---|---|
| Operating lease cost | $ | 40,990 |
| Finance lease cost - amortization of right-of-uses assets | | 9,351 |
| Finance lease cost - interest on lease liabilities | | 1,949 |
| Variable lease costs - common area maintenance | | 4,422 |
| Total lease cost | $ | 56,712 |

NOTE 18 - LEASES (CONTINUED)

Additional information related to leases is as follows as of December 31, 2022:

| | | |
|---|---|---|
| Operating leases: | | |
| Operating lease, right-of-use assets | $ | 112,133 |
| | | |
| Current maturities of operating lease liability | $ | 47,883 |
| Operating lease liability, less current maturities | | 66,741 |
| Total operating lease liabilities | $ | 114,624 |
| | | |
| Finance leases: | | |
| Furniture and equipment | $ | 46,482 |
| Accumulated depreciation | | (13,945) |
| Finance lease right-of-use assets, net* | $ | 32,537 |
| | | |
| Current maturities of finance lease liabilities | $ | 8,248 |
| Finance lease liabilities, non-current | | 26,284 |
| Total finance lease liabilities | $ | 34,532 |
| | | |
| Weighted-average remaining lease term: | | |
| Operating leases | | 2.33 |
| Finance leases | | 3.54 |
| | | |
| Weighted-average discount rate: | | |
| Operating leases | | 1.04% |
| Finance leases | | 5.00% |

* This is included in property and equipment on the consolidated statement of financial position

## NOTE 18 - LEASES (CONTINUED)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the consolidated statement of financial position are as follows as of December 31,2022:

| | Finance Leases | Operating Leases |
|---|---|---|
| Year ending December 31: | | |
| 2023 | $ 10,482 | $ 48,849 |
| 2024 | 10,482 | 50,305 |
| 2025 | 10,482 | 16,931 |
| 2026 | 6,324 | - |
| Total lease payments | 37,770 | 116,085 |
| Less imputed interest | (3,238) | (1,461) |
| Total present value of lease liabilities | $ 34,532 | $ 114,624 |

## NOTE 19 - 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 20). Employer matching contribution expense to the plan was $13,840 for the year ended December 31, 2022, and is included within employee benefits on the consolidated statement of functional expenses.

## NOTE 20 - RELATED PARTIES

Promises to give and contributions revenue

Promises to give include promises received from board members at December 31, 2022. The net present value of the related party promises to give discounted at 5.78% is $2,153,880 at December 31, 2022. Management has determined that no allowance is deemed necessary. Contributions revenue from board members for the year ended December 31, 2022 amounted to $1,460,000.

## NOTE 20 - RELATED PARTIES (CONTINUED)

### Notes payable

A partnership in which the 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 2024 at which time the full principal balance and accrued interest are due. Interest of $39,552 was paid on the loan in the year ended December 31, 2022. The balance as of December 31, 2022 was $1,363,052 and accrued interest on the note was $3,251. The loan is subordinate to the bonds payable (see also Note 14).

### Line of credit

A partnership in which the 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 2024. The line of credit shall automatically renew for successive one-year periods until such time each party expressly agrees otherwise. Interest of $80,590 was paid on the line of credit during the year ended December 31, 2022. The balance as of December 31, 2022 was $2,776,830 and accrued interest on the line was $6,844. The line of credit is subordinate to the bonds payable (see also Note 14).

### 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 Founding Board Chairman which approximated $998,000 for the year ended December 31, 2022. These expenses are recorded in consolidated schedule of functional expenses as approximately $157,000 in contracted services, $2,500 in repairs and maintenance, $27,000 in food, $1,800 in miscellaneous expenses and $121,000 in interest expense. Additionally, there was approximately $8,300 of contributed nonfinancial assets received from the Board Chairman related to facilities rental and donated food.

Another board member is the former owner of a Company that provides marketing support to the Organization. The Organization paid approximately $40,000 during the year ended December 31, 2022 and received approximately $117,000 of contributed nonfinancial assets related to professional marketing services. Accounts payable to this company as of December 31, 2022, totaled $2,811.

## NOTE 21 - SUPPLEMENTAL CASH FLOWS INFORMATION

| | |
|---|---|
| Cash paid during the year for: | |
| Interest | $ 706,918 |
| Operating cash outflows - payments on operating leases | $ 40,990 |
| Finance cash outflows - payments on finance leases | $ 10,482 |
| | |
| Non-cash operating activities are as follows: | |
| ROU assets obtained in exchange for operating lease liabilities | $ 153,123 |
| ROU assets obtained in exchange for finance lease liabilities | $ 42,858 |
| Construction in-progress acquired within accounts payable | $ 7,205 |

## NOTE 22 - SUBSEQUENT EVENT

Subsequent to year end the Organization received approximately $420,000 of insurance proceeds related to a pipe burst damaging a portion of the facility. The Organization utilized in-house personnel to perform some of the repairs, and then used approximately $348,000 of the insurance proceeds to repair the rest of the damaged area; leaving approximately $73,000 as other income.