





# CONTENTS

3		LEADERSHIP MESSAGE
3		FINANCIAL SNAPSHOT
4		ROSETTA'S STORY
4		RESIDENT CENSUS
5		PEG'S STORY
5		PROGRAM SERVICES DATA
6		AUDITED FINANCIALS
22		DEDICATION TO MARY GILMORE

## 2016-2017 BOARD OF DIRECTORS

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Mrs. Suzie Schwartz



**Air Force Enlisted Village**  
**92 Sunset Lane**  
**Shalimar, FL 32579**  
**[www.afev.us](http://www.afev.us)**



## OUR 2016-2017 ACCOMPLISHMENTS

- *Achieved 99% occupancy at Bob Hope Village and the Hawthorn House*
- *Completed planning and contract award for Bob Hope Village Commons renovation*
  - Capital campaign raised more than \$2 million
  - Wellness and successful aging at the forefront of our efforts
- *Initiated coordinated care planning and expansion of care levels*
- *Expanded Hawthorn House memory care units from 16 to 18*
- *Opened new General Store at Bob Hope Village*

## OUR 2017-2018 PRIORITIES

Successful aging for our residents through caring relationships, solid infrastructure, and fiscal responsibility

The Air Force Enlisted Village continues to provide a unique, one-of-a-kind senior living community catering to widows of retired enlisted Airmen. The community is creating an environment that is conducive to safe, secure, hassle-free living. From independent living to assisted living with memory care, the residents of the AFEV enjoy a community steeped in the traditions of military caring and connectedness.

Our future includes a major renovation to the community center. This is the hub of our community and serves a vital function as both a meeting area and an administrative center. The upgrades to the community center will include a purpose-built fitness and wellness center as well as safety and security upgrades. The multimillion dollar renovation will show-case the path forward for the AFEV.

The future is bright for the AFEV in the sense that we have a solid foundation and history. In early 2018 and throughout the year, we will celebrate the 50th Anniversary of the organization. It is an honor to serve our residents and we see no reduction in the demand to care for widows who, through no fault of their own, have found themselves in dire situations. Our mission is critical. Our ability to help others is sacred. Our residents are treated as if they were our moms.

This report will provide you with a snap-shot of the people we serve and the means that make it all possible.

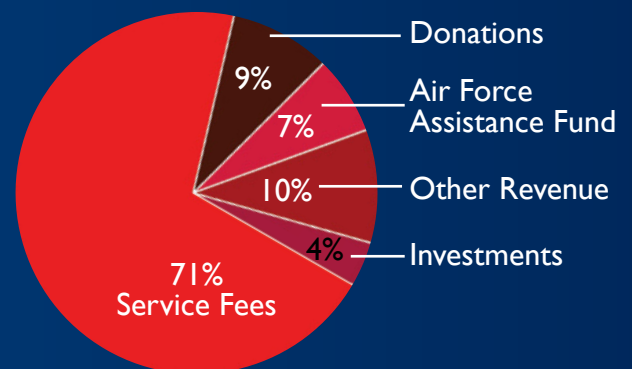
Of course, we could not provide the services and care without your kindness and generosity. For this, we are very grateful.



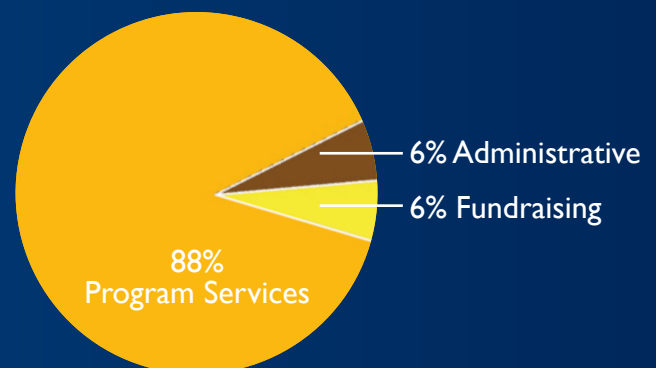

CMSgt Brooke McLean, USAF, Ret.  
President and CEO

## FINANCIAL SNAPSHOT

TOTAL REVENUE: \$9,684,885



TOTAL EXPENSES: \$9,311,540







# ROSETTA'S STORY

## Being Self Sufficient is the Greatest Gift I Can Give My Children

*"I look at my life as a journey, and I'm so blessed. This is the rest of the journey. Right here at Bob Hope Village."*

Rosetta met Albert, a US Air Force chemical mixer, on a blind date. They married, had three children, and traveled the world with them where ever Albert's Air Force career took them.

"Our little family grew closer with every move," Rosetta said. "We didn't know anyone else but each other until we all made some friends at our new base."

Albert retired as an E6 and the family settled in his home town in Pennsylvania. Albert started his second career and continued to do what he loved so much, coach kids' basketball. After Albert's second retirement, he and Rosetta purchased a four story home together that Albert fixed up. And then one day, he was gone.

"We never thought about him dying," Rosetta explained. "We treasured each year we had together. He was everything I wasn't. And I was everything he wasn't."

Rosetta said it was hard for her and for their children when Albert passed. Work kept her busy, but she felt like half of her was gone.

"Life is for the living and you have to go on," Rosetta explained.

She was happy that her husband left her a house but it became too much for to care for on her own. Shoveling snow during cold Pennsylvania winters didn't help either.

Rosetta showed her children a video about Bob Hope Village and Hawthorn House and told them she was going there to live. Rosetta's daughter didn't want her to move and told her it was her duty to care for her as she aged.

"I didn't want to be a burden to my children," Rosetta said. "Since I was of sound mind, I wanted to make the decision as to where I would live the rest of my life and I don't plan on moving again."

Rosetta couldn't be happier at Bob Hope Village where she has many friends and is busy socializing or playing Wii bowling.

"I have a good life now. It's like a sisterhood here at Bob Hope Village," Rosetta said. "We talk about the places we've lived, and we have an immediate connection."

## RESIDENT CENSUS

302 Widows    93 Couples    27 Others

### BOB HOPE VILLAGE

99% Occupancy Rate

428 Independent Living Residents  
57 Age of youngest resident  
99 Age of oldest resident

- 1.4% Age 50-59
- 9.5% Age 60-69
- 33.6% Age 70-79
- 49.5% Age 80-89
- 5.8% Age 90-99
- 3:61 ratio of staff to residents

### HAWTHORN HOUSE

99% Occupancy Rate

82 Assisted Living Residents  
71 Age of youngest resident  
104 Age of oldest resident

- 20% are memory support residents
- 17% are on hospice
- 6.8% Age 70-79
- 60.9% Age 80-89
- 29.8% Age 90-99
- 2.2% Age 100+
- 4:5 ratio of staff to residents



# PEG'S STORY

## Military Backgrounds Bond Surviving Spouses

Shortly after graduating high school, Peg took a secretarial position in the ROTC department at a university. When Peg took the job, she had no idea she would meet the love of her life and future husband.

One day her supervisor put two applications and two photos on her desk and asked her to choose which applicant would be the best addition to their staff. "I picked Leonard because I thought he was so handsome," Peg said.

Leonard asked Peg on a date and the rest is history. "We had to keep our romance a secret from our co-workers since dating within the office wasn't allowed," she said.

During their forty-eight years of marriage, Leonard served twenty years in the Air Force allowing his family to live in various destinations around the world. From Europe to multiple locations in the U.S., the couple raised their six children with an appreciation for different cultures and areas of the world.

***"This is my adopted family, and I couldn't imagine being anywhere else but Bob Hope Village."***

After Leonard retired from the Air Force, the couple moved to Florida and Leonard began work at a credit union. The couple shared a happy life together until Leonard passed away.

Peg decided that living by herself was a burden. "I felt isolated at our house after Leonard died. Living alone without a close community like I have now was so difficult," Peg recalls.

Undoubtedly, the move to Bob Hope Village has been a positive experience for Peg. In particular, she appreciates the sense of community at Bob Hope Village. Peg notes that she "has made some dear friends here that mean the world to me." She further explains that this sense of community stems from the fact that her friends at Bob Hope Village all come from some sort of military background. "We have all had many of the same experiences, and I think that is what bonds us."

Peg's story illustrates only one of many instances in which a widow's quality of life has been greatly improved by living at the Air Force Enlisted Village.



## PROGRAM SERVICES DATA

**\$824,735**  
Amount paid from the Benevolence Fund to support enlisted Air Force widows residing at Bob Hope Village and Hawthorn House

**4289**  
Medications picked up for residents through the Prescription Pick Up Service

**104,628**  
Miles driven to take residents to medical appointments, shopping, and activities

**36**  
Wellness classes per year

**936**  
Fitness classes per year

**830**  
Activities and social events per year

**220**  
Religious services per year

## NOTES FROM HAWTHORN HOUSE

**500**  
Pendant responses per day

**4,160**  
Bananas served per year

**683**  
Medications passed per day

**55,000**  
Eggs cooked per year

**10,764**  
Meals served per year



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Air Force Enlisted Village, Inc.

We have audited the accompanying financial statements of the Air Force Enlisted Village, Inc. (the Village), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 assessment 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 the Air Force Enlisted Village, Inc. as of June 30, 2017 and 2016, 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.



Fort Walton Beach, Florida  
September 26, 2017



**AIR FORCE ENLISTED VILLAGE, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2017 AND 2016**

	<b>ASSETS</b>	
	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,827,576	\$ 2,988,594
Investments, at market	11,412,152	9,871,803
Accounts receivable	4,217	6,483
Interest receivable	15,813	9,327
Prepaid expenses	303,300	375,305
Pledges receivable, net of allowance for uncollectible pledges of \$33,289 and \$48,675 as of June 30, 2017 and 2016, respectively	722,482	766,679
Real estate held for sale	-	151,730
Total current assets	<u>14,285,540</u>	<u>14,169,921</u>
<b>OTHER ASSETS</b>	82,236	83,022
<b>LAND, BUILDING, AND EQUIPMENT, NET</b>	<u>30,689,612</u>	<u>30,825,353</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 45,057,388</u></u>	<u><u>\$ 45,078,296</u></u>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF FINANCIAL POSITION – CONTINUED**  
**AS OF JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 148,003	\$ 108,994
Accrued payroll and related liabilities	265,136	194,165
Unearned revenue	95,765	79,738
Current maturities of notes payable	892,622	873,790
Total current liabilities	1,401,526	1,256,687
<b>LONG-TERM LIABILITIES</b>		
Interest rate swap agreement	199,748	954,396
Notes payable, less current maturities	20,588,362	21,224,705
Total long-term liabilities	20,788,110	22,179,101
<b>TOTAL LIABILITIES</b>	22,189,636	23,435,788
<b>NET ASSETS</b>		
Unrestricted		
Operating	1,493,281	3,163,903
Designated	4,058,569	3,247,563
Invested in property	9,147,384	7,914,423
Total unrestricted net assets	14,699,234	14,325,889
Temporarily restricted	8,168,518	7,316,619
<b>TOTAL NET ASSETS</b>	22,867,752	21,642,508
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 45,057,388	\$ 45,078,296



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Public support, revenue, and reclassifications		
Air Force related groups	\$ 167,186	\$ 99,338
Contributions	666,296	828,155
Resident service fees, net of subsidies of \$822,377 in 2017 and \$644,443 in 2016	6,584,131	6,182,200
Investment income, including gains and losses	362,198	115,504
Gain (loss) on sale of building and equipment	(45,495)	16,122
Gain (loss) on real estate held for sale	(9,308)	-
Gain on change in fair value of interest rate swap agreements	754,648	-
Net assets released from restrictions	<u>1,205,229</u>	<u>1,699,399</u>
Total public support, revenue, and reclassifications	<u>9,684,885</u>	<u>8,940,718</u>
Expenses		
Program services – residential complexes		
General and administrative	2,152,959	2,577,583
Operations and maintenance	3,920,623	3,511,212
Personal service	<u>2,100,530</u>	<u>2,018,364</u>
Total program services – residential complexes	<u>8,174,112</u>	<u>8,107,159</u>
Supporting services		
Fundraising	512,987	383,432
Administration	544,843	509,177
Pre-development	<u>79,598</u>	<u>313,579</u>
Total supporting services	<u>1,137,428</u>	<u>1,206,188</u>
Total expenses	<u>9,311,540</u>	<u>9,313,347</u>
Change in unrestricted net assets	<u>373,345</u>	<u>(372,629)</u>



**AIR FORCE ENLISTED VILLAGE, INC.  
STATEMENTS OF ACTIVITIES – CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Public support, revenue, and reclassifications		
Public support		
Air Force Assistance Fund support	661,795	634,762
Capital campaign	578,347	675,568
Chapel donations	95,815	100,168
Increase (decrease) in cash surrender value of life insurance	(1,341)	1,430
Investment income, including gains and losses	722,512	245,746
Net assets released from restrictions	<u>(1,205,229)</u>	<u>(1,699,399)</u>
Change in temporarily restricted net assets	<u>851,899</u>	<u>(41,725)</u>
<b>CHANGE IN NET ASSETS</b>	1,225,244	(414,354)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>21,642,508</u>	<u>22,056,862</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 22,867,752</u></u>	<u><u>\$ 21,642,508</u></u>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

2017

Program Services – Residential Complexes

Supporting Services

	General and Administrative	Operations and Maintenance	Personal Service	Total Program Services	Fundraising	Administration	Pre- Development Expenses	Total Supporting Services	Total Expenses
Salaries, wages, and payroll expenses	\$ 965,270	\$ 654,056	\$ 1,560,054	\$ 3,179,380	\$ 205,017	\$ 188,691	\$ 30,116	\$ 423,824	\$ 3,603,204
Supplies	41,892	13,058	244,439	299,389	3,608	24,322	5,348	33,278	332,667
Telephone and utilities	76,913	318,287	92,925	488,125	-	23,672	-	23,672	511,797
Insurance	-	281,610	-	281,610	-	24,782	-	24,782	306,392
Interest	853,164	49,020	-	902,184	-	12,650	-	12,650	914,834
Travel and transportation	7,648	18,828	51,650	78,126	8,781	30,282	23,595	62,658	140,784
Licenses and fees	90,366	-	-	90,366	-	65,303	-	65,303	155,669
Printing and postage	2,513	-	-	2,513	139,120	1,077	-	140,197	142,710
Contractual services	37,221	64,661	27,262	129,144	43,208	100,482	(9,250)	134,440	263,584
Repairs and maintenance	-	845,023	8,505	853,528	-	11,842	-	11,842	865,370
Legal and accounting	37,053	-	-	37,053	-	26,269	-	26,269	63,322
Rent	-	-	-	-	2,903	-	-	2,903	2,903
Resident activities	-	-	115,695	115,695	-	-	-	-	115,695
Miscellaneous	40,919	19,139	-	60,058	110,350	9,765	29,789	149,904	209,962
Total expenses before depreciation	2,152,959	2,263,682	2,100,530	6,517,171	512,987	519,137	79,598	1,111,722	7,628,893
Depreciation and amortization	-	1,656,941	-	1,656,941	-	25,706	-	25,706	1,682,647
<b>TOTAL EXPENSES</b>	<b>\$ 2,152,959</b>	<b>\$ 3,920,623</b>	<b>\$ 2,100,530</b>	<b>\$ 8,174,112</b>	<b>\$ 512,987</b>	<b>\$ 544,843</b>	<b>\$ 79,598</b>	<b>\$ 1,137,428</b>	<b>\$ 9,311,540</b>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2016</u>				Supporting Services			
	Program Services – Residential Complexes							
	General and Administrative	Operations and Maintenance	Personal Service	Total Program Services	Fundraising	Administration	Pre-Development Expenses	Total Supporting Services
Salaries, wages, and payroll expenses	\$ 903,461	\$ 602,544	\$ 1,412,130	\$ 2,918,135	\$ 135,756	\$ 171,703	\$ 33,178	\$ 340,637
Supplies	43,952	13,810	258,907	316,669	3,027	12,417	24,559	40,003
Telephone and utilities	84,283	322,840	87,195	494,318	-	22,194	525	22,719
Insurance	-	329,568	-	329,568	-	24,222	-	24,222
Interest	822,993	49,023	-	872,016	-	4,711	-	4,711
Travel and transportation	4,150	19,196	43,567	66,913	2,833	39,484	21,286	63,603
Licenses and fees	82,317	-	-	82,317	-	61,647	-	61,647
Printing and postage	4,715	-	-	4,715	141,388	2,020	-	143,408
Contractual services	29,683	166,081	25,117	220,881	20,093	67,201	211,544	298,838
Repairs and maintenance	-	664,334	5,327	669,661	-	11,046	-	11,046
Legal and accounting	50,791	-	-	50,791	-	39,373	-	39,373
Rent	-	168,537	-	168,537	5,614	-	-	5,614
Resident activities	-	-	186,121	186,121	-	-	-	-
Miscellaneous	36,018	23,769	-	59,787	74,721	29,172	22,487	126,380
Loss on the change in fair value of the interest rate swap agreement	515,220	-	-	515,220	-	-	-	-
Total expenses before depreciation	2,577,583	2,359,702	2,018,364	6,955,649	383,432	485,190	313,579	1,182,201
Depreciation and amortization	-	1,151,510	-	1,151,510	-	23,987	-	23,987
<b>TOTAL EXPENSES</b>	<b>\$ 2,577,583</b>	<b>\$ 3,511,212</b>	<b>\$ 2,018,364</b>	<b>\$ 8,107,159</b>	<b>\$ 383,432</b>	<b>\$ 509,177</b>	<b>\$ 313,579</b>	<b>\$ 1,206,188</b>
								<b>\$ 9,313,347</b>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,225,244	\$ (414,354)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,682,647	1,175,497
Amortization of debt issuance costs	49,020	49,023
Loss on disposal of equipment	45,495	13,042
Loss on real estate held for sale	9,308	-
Realized (gain) loss on sale of investments	(245,173)	33,150
Unrealized gain on investments	(601,638)	(177,304)
Noncash contributions	-	(163,888)
Change in cash surrender value of life insurance	1,341	(1,430)
Change in fair value of interest rate swap agreement	(754,648)	515,220
Amortization of deferred gain on sale-leaseback	-	(29,164)
Changes in operating assets and liabilities		
Accounts receivable	2,266	1,904
Interest receivable	(6,486)	(188)
Prepaid expenses	72,005	(146,304)
Pledges receivable	44,197	164,149
Other assets	(555)	7,786
Accounts payable	39,009	(118,983)
Accrued liabilities	70,971	(36,057)
Unearned revenue	16,027	(197,581)
Net cash provided by operating activities	<u>1,649,030</u>	<u>674,518</u>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**STATEMENTS OF CASH FLOW – CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of land, buildings, and equipment	\$ (1,592,401)	\$ (6,795,576)
Proceeds from sale of assets	-	3,375
Proceeds from real estate held for sale	142,422	-
Purchase of investments	(4,175,626)	(4,398,925)
Proceeds from sales and maturities of investments	<u>3,482,088</u>	<u>3,927,810</u>
Net cash used in investing activities	<u>(2,143,517)</u>	<u>(7,263,316)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	6,697,764
Principal payments of notes payable	<u>(666,531)</u>	<u>(573,584)</u>
Net cash provided by (used in) financing activities	<u>(666,531)</u>	<u>6,124,180</u>
<b>DECREASE IN CASH</b>	(1,161,018)	(464,618)
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,988,594</u>	<u>3,453,212</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,827,576</u></u>	<u><u>\$ 2,988,594</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	<u><u>\$ 883,653</u></u>	<u><u>\$ 815,715</u></u>



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

### Organization

The Air Force Enlisted Village, Inc. (the Village) is a non-profit charitable organization providing housing and other services to individuals who have met certain qualifications related to age and prior military service or affiliation.

The Village owns and operates two facilities directly related to its charitable function. These facilities are retirement centers known as Bob Hope Village, which opened February 1985, including an expansion that opened in November 2015; and Hawthorn House, an assisted living facility which opened November 2005. All facilities are located in Okaloosa County, Florida, in proximity to Eglin Air Force Base. Costs of operating Bob Hope Village and Hawthorn House, which presently exceed amounts assessed to residents, are subsidized by the Village.

### Basis of Presentation

The financial statements, which are presented on the accrual basis of accounting, present net assets and revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

#### Unrestricted net assets

Unrestricted net assets include operating, designated, and invested in property net assets.

- *Operating net assets.* – Net assets subject to no donor-imposed stipulations, or Board of Directors designations.
- *Designated net assets* – Net assets subject to no donor-imposed stipulations, but designated by the Board of Directors for new construction and emergency situations.
- *Invested in property net assets* – Net assets of approximate cost of land, buildings, and equipment net of related debt.

#### Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that will be met by actions of the Village and/or the passage of time. Temporarily restricted net assets consist of contributions received from the Air Force Assistance Fund (AFAF), chapel donations and cash surrender value of life insurance gift.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED

### Basis of Presentation – Continued

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are recorded at fair value and as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of the acquisition of such long-lived assets.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Contributions

Contributions from the AFAF are specifically restricted as follows:

- Direct support for an indigent widow, including rent, maintenance, subsidies for apartments, emergency situations, or expenses associated with relocating to an AFAF affiliated home.
- Fundraising administration (5% of funds), including printing, postage, and administrative staff, telephone service, etc., used to answer questions that concern the AFAF campaign.
- The annual AFAF campaign educational materials.
- Deposits to investment accounts for future affiliate income to support their stated purposes.
- Uses stipulated in separate Air Force instructions.

Direct support of indigent widows and fundraising administration are the Village's main use of AFAF contributions. These contributions are voluntarily withdrawn from the paychecks of active service personnel and distributed by the AFAF to the Village. Decreases in the number of active service employees could reduce the funds received by the Village. These contributions comprise the majority of the balance of temporarily restricted net assets. Additionally, net assets released from restriction represent the use of AFAF contributions for the purposes outlined above.

All other contributions are considered available for unrestricted use unless specifically restricted by the donor.



AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS**  
– CONTINUED

**Revenue Recognition**

Revenues from service fees represent rental income, and are recognized in the year to which they relate. Service fees are recognized at substantial completion of the earnings process, when the services have been rendered, and are billable.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and other short-term investments with maturities at date of purchase of less than three months.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

**Pledges Receivable**

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all pledges receivable balances to determine the collectability of the pledge. After all attempts to collect on a pledge have been exhausted, the receivable is written off against the allowance. All pledges relate to amounts received from the AFAF and are collectible within one year.

**Fair Value of Financial Instruments**

Fair values for interest rate swaps are based on third-party pricing models or formulas using current assumptions and are disclosed in Notes 3 and 5.

**Derivatives** – The Village accounts for derivatives and hedging instruments in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*. ASC 815 requires the Village to recognize all derivatives as either assets or liabilities on the balance sheet at fair value. Gains and losses resulting from changes in fair value must be recognized currently in changes in unrestricted net assets.

The Village's use of derivative instruments is limited to interest rate swap agreements used to modify the interest characteristics for a portion of its outstanding variable rate debt. In accordance with ASC 815, management has not designated these interest rate swaps as cash flow hedges.

**Income Taxes**

The Village has been granted an exemption from Federal income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. The Village is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS**  
– CONTINUED

**Subsequent Events**

The village has evaluated events and transactions that occurred between June 30, 2017 and September 26, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**2. INVESTMENTS**

Investments are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses are reflected in the statements of activities. The Village's investments consist of the following:

	June 30, 2017			
	Equities		Fair Value	Unrealized Gain (Loss)
	Common stock	\$ 4,040,533	\$ 4,871,402	\$ 830,869
	Equity funds	107,317	121,350	14,033
	Exchange – traded funds	1,602,658	1,831,914	229,256
	Fixed income			
	Debt securities	4,638,924	4,587,486	(51,438)
	Total investments	<u>\$ 10,389,432</u>	<u>\$ 11,412,152</u>	<u>\$ 1,022,720</u>
	June 30, 2016			
	Equities			
	Common stock	\$ 3,781,958	\$ 4,028,331	\$ 246,373
	Equity funds	237,411	265,716	28,305
	Exchange – traded funds	1,696,484	1,825,096	128,612
	Fixed income			
	Debt securities	3,333,388	3,386,739	53,351
	Fixed income funds	401,512	365,921	(35,591)
	Total investments	<u>\$ 9,450,753</u>	<u>\$ 9,871,803</u>	<u>\$ 421,050</u>



**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**2. INVESTMENTS – CONTINUED**

Investment return was as follows:

<b>Year Ended June 30, 2017</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>
Dividends and interest	\$ 80,232	\$ 157,667
Net realized gain on investments	48,151	197,022
Unrealized gain on investments	233,815	367,823
<b>Total return on investments</b>	<b>\$ 362,198</b>	<b>\$ 722,512</b>
<b>Year Ended June 30, 2016</b>		
Dividends and interest	\$ 77,295	\$ 139,801
Net realized gain (loss) on investments	(51,222)	18,072
Unrealized gain on investments	89,431	87,873
<b>Total return on investments</b>	<b>\$ 115,504</b>	<b>\$ 245,746</b>

**3. FAIR VALUE MEASUREMENTS**

The Village uses the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures* (ASC 820), for the reporting of disclosures regarding fair value measurements. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. In addition, ASC 820 requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 roll-forward about purchases, sales, issuances, and settlements on a gross basis.

The Village utilizes various methods to measure fair value of its investments and liabilities on a recurring basis. US GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of hierarchy are:

- Level 1: Inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; (3) inputs other than quoted prices that are observable for the asset or liability; or (4) inputs that are derived principally from or corroborated by observable market data.

**3. FAIR VALUE MEASUREMENTS – CONTINUED**

- Level 3: Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed on the best information available in the circumstances.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent, the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level as described above.



AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

3. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the financial instruments carried at fair value as of June 30, 2017:

Assets	Quoted Prices in Active Markets for			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total Carrying Value	Identical Assets (Level 1)			
<b>Equities</b>					
Common stock					
Basic industry	\$ 745,798	\$ 745,798		\$ -	\$ -
Consumer staples	1,138,707	1,138,707		-	-
Energy	222,368	222,368		-	-
Financials	1,102,167	1,102,167		-	-
Health care	592,684	592,684		-	-
Information technology	813,283	813,283		-	-
Transportation	146,379	146,379		-	-
Utilities	110,016	110,016		-	-
Total common stock	4,871,402	4,871,402		-	-
Equity funds	121,350	121,350		-	-
Exchange – traded funds	1,831,914	1,831,914		-	-
Total equities	6,824,666	6,824,666		-	-
<b>Fixed income</b>					
Debt securities					
U.S. Government securities	1,901,103	1,901,103		-	-
Inflation protected securities	584,845	584,845		-	-
Corporate debt securities	2,101,538	2,101,538		-	-
Total fixed income	4,587,486	4,587,486		-	-
Total assets at fair value	\$ 11,412,152	\$ 11,412,152		\$ -	\$ -
<b>Liabilities</b>					
Interest rate swap liability	\$ 199,748	\$ -		\$ 199,748	\$ -
Total liabilities at fair value	\$ 199,748	\$ -		\$ 199,748	\$ -

AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

3. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the financial instruments carried at fair value as of June 30, 2016:

Assets	Quoted Prices in Active Markets for			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total Carrying Value	Identical Assets (Level 1)			
<b>Equities</b>					
Common stock					
Basic industry	\$ 474,576	\$ 474,576		\$ -	\$ -
Consumer staples	1,072,518	1,072,518		-	-
Energy	174,906	174,906		-	-
Financials	854,685	854,685		-	-
Health care	455,665	455,665		-	-
Information technology	786,439	786,439		-	-
Transportation	121,321	121,321		-	-
Utilities	88,221	88,221		-	-
Total common stock	4,028,331	4,028,331		-	-
Equity funds	265,716	265,716		-	-
Exchange-traded funds	1,825,096	1,825,096		-	-
Total equities	6,119,143	6,119,143		-	-
<b>Fixed income</b>					
Debt securities					
U.S. Government securities	1,739,347	1,739,347		-	-
Inflation protected securities	470,414	470,414		-	-
Corporate debt securities	1,176,978	1,176,978		-	-
Total debt securities	3,386,739	3,386,739		-	-
Fixed income funds	365,921	365,921		-	-
Total fixed income	3,752,660	3,752,660		-	-
Total assets at fair value	\$ 9,871,803	\$ 9,871,803		\$ -	\$ -
<b>Liabilities</b>					
Interest rate swap liability	\$ 954,396	\$ -		\$ 954,396	\$ -
Total liabilities at fair value	\$ 954,396	\$ -		\$ 954,396	\$ -



**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**3. FAIR VALUE MEASUREMENTS – CONTINUED**

The following methods and assumptions were used to estimate the fair value for each class of investment, measured at fair value:

Common stock – Investments in common stock are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Equity funds – Equity funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Exchange-traded funds – Exchange-traded funds (ETFs) are securities that track as an index, a commodity or a basket of assets like an index fund, but trade like stocks on an exchange. ETFs are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Debt securities – Investments in debt securities are comprised of U.S. Treasury notes, and corporate bonds and notes. They are classified as Level 1 as they trade with sufficient frequency and volume to enable the Village to obtain pricing information on an ongoing basis. A segment of debt security holdings are in mortgage-backed securities where there are inputs, other than quoted prices included in Level 1, which are observable, either directly or indirectly. Therefore, mortgage-backed securities are classified as Level 2 as the fair values are based on Level 2 inputs.

Fixed income funds – Investments in fixed income funds are classified as Level 1 as they trade with sufficient frequency and volume to enable the Village to obtain pricing information on an ongoing basis.

Interest rate swap liability – Receive-fixed, pay-variable interest rate swap liabilities are classified as Level 2 since they are based on LIBOR rate, which is observable at commonly quoted intervals for the full term of the swap agreement.

While the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**4. LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment acquisitions as of June 30, 2017 and 2016 are stated at cost. The Village's capitalization policy requires applicable costs be recorded as land, buildings, and equipment when amounts equal or exceed \$1,000. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 39 years. A summary of land, buildings, and equipment at historical cost follows:

	2017	2016
Land	\$ 681,920	\$ 681,920
Landscaping	931,113	931,113
Office buildings	713,461	713,461
Bob Hope Village and Hawthorn House buildings	43,879,163	42,859,665
Miscellaneous structures	1,895,772	1,895,772
Office and building furnishings, appliances and equipment	2,660,045	2,413,699
Vehicles and other equipment	906,437	785,963
Construction in progress	107,868	-
	51,775,779	50,281,593
Less accumulated depreciation	21,086,167	19,456,240
	<u>\$ 30,689,612</u>	<u>\$ 30,825,353</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$1,682,647 and \$1,175,497, respectively.

During 1978, Congress passed legislation providing for the conveyance of approximately 79 acres of land at Eglin Air Force Base, Florida, to the Village. The legislation provided that in the event the land was not used for its designated purpose as a site for a retirement facility, the property would revert to the United States Government. The construction of Bob Hope Village satisfied this requirement, however, the facility must continue to operate as a retirement facility or the land and buildings will revert to the United States Government.

In 1988, Congress amended the legislation and allowed the Village to purchase an additional 46 acres of land, contiguous to the land conveyed in 1978. The construction of the Administration Building in 1992 fulfilled the designated purpose restriction. The same long-term restrictions apply.

In December 2011, the United States Air Force released the land on which the Village operates, and which is described in the paragraphs above, from certain operating restrictions. The restriction was modified to provide that if the land is sold, leased, or otherwise disposed of within 40 years after expiration of the ten year period per the original deed documents, then all rents, proceeds, revenues, and consideration received shall be reinvested in Foundation purposes on the remaining property or similar properties owned by the Foundation.



**AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**5. NOTES PAYABLE**

Notes payable are summarized as follows:

	2017	2016
Note payable to a bank, monthly payments of \$29,583 plus interest through February 2020, variable interest rate equal to 30 day LIBOR plus 200 basis points (3.23% as of June 30, 2017), collateralized by real estate	\$ 6,535,851	\$ 6,785,312
Note payable to a bank, monthly interest only payments through January 2016, then principal and interest through February 2020 based on a 25 year amortization period, variable interest rate equal to 30 day LIBOR plus 200 basis points (3.23% as of June 30, 2017), collateralized by real estate	14,806,629	15,171,222
Financed insurance policies, monthly payments of \$30,247 including interest at 4.89%, matures February 2017	-	211,693
Financed insurance policies, monthly payments of \$28,683 including interest at 4.89%, matures February 2018	208,082	-
Financed software purchases, monthly payments of \$4,072, matures September 2018	57,029	105,895
Less unamortized debt issuance costs	21,607,591	22,274,122
Notes payable, less unamortized debt issuance costs	126,607	175,627
Less current maturities	21,480,984	22,098,495
Notes payable, less current maturities and unamortized debt issuance costs	892,622	873,790
	<u>\$ 20,588,362</u>	<u>\$ 21,224,705</u>

**AIR FORCE ENLISTED VILLAGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**5. NOTES PAYABLE – CONTINUED**

Interest paid during the years ended June 30, 2017 and 2016 amounted to \$883,653 and \$815,715, respectively.

During the year ended June 30, 2017, the Village retroactively adopted the requirements in FASB ASC 835-30, *Imputation of Interest*, to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term debt as of June 30, 2016 was previously reported in the statement of financial position as \$22,274,122 with the associated \$175,627 of unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

Scheduled maturities of notes payable for fiscal year ended June 30, 2017 are as follows:

<u>Fiscal Years Ending June 30</u>	
2018	\$ 892,622
2019	688,041
2020	20,046,928
Total	<u>\$ 21,607,591</u>

The terms of the Village's long-term debt provide for certain financial covenants. At June 30, 2017, management believes that the Village was in compliance with these covenants.

**Interest Rate Swap Agreements**

On February 3, 2015, the Village entered into two interest rate swap agreements to reduce the impact of interest rates on its floating rate long-term debt. At June 30, 2017, the Village had two outstanding interest rate swap agreements with a commercial bank, having notional principal amounts of \$6,535,852 and \$14,806,628. In accordance with ASC 815, management has not designated the interest rate swap agreements as cash flow hedges. Changes in the fair value of the interest rate swap agreements increased by \$754,648 for the year ended June 30, 2017, and is recorded as revenue in the statement of activities. Changes in the fair value of the interest rate swap agreements decreased by \$515,220 for the year ended June 30, 2016, and is recorded in interest expense in the statement of functional expenses. The interest rate swap agreements mature on February 3, 2020. The Village is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Village does not anticipate nonperformance by the counterparties.



**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**AIR FORCE ENLISTED VILLAGE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**6. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets include the following:

	<b>2017</b>	<b>2016</b>
Air Force Assistance Fund program	\$ 7,133,509	\$ 7,039,611
Chapel donations	145,810	105,588
Capital campaign	839,120	120,000
Cash surrender value of life insurance	50,079	51,420
	<u>\$ 8,168,518</u>	<u>\$ 7,316,619</u>

**7. RENTAL SUBSIDIES AND COSTS OF PERSONAL SERVICES**

Bob Hope Village and Hawthorn House provide housing to eligible residents at rental rates which the Village believes are somewhat lower than comparable market rental rates. The Village further subsidizes rental costs to residents based on each resident's ability to pay and provides certain personal services, including local transportation, recreation, and other program services, at no cost to the residents. Housing units are leased to residents on a month-to-month basis.

Rental subsidies and the costs of personal services provided, as reflected in the statements of activities are summarized as follows:

	<b>2017</b>	<b>2016</b>
Rental subsidies	\$ 822,377	\$ 644,443
Cost of personal services provided	<u>2,100,530</u>	<u>2,018,364</u>
	<u>\$ 2,922,907</u>	<u>\$ 2,662,807</u>

**8. COMMITMENTS AND CONTINGENCIES**

**Contract Commitments**

The Village has entered into various contracts for cable television, telephone services, waste removal, and lawn care services expiring through March 2020. Expenses related to contract agreements were \$241,401 and \$262,641 for the years ended June 30, 2017 and 2016, respectively. The terms of the contracts call for aggregate monthly payments of approximately \$25,700. Future minimum payments under the contracts are as follows:

<u>Fiscal Years Ending June 30</u>	
2018	\$ 180,767
2019	169,167
2020	<u>63,199</u>
	<u>\$ 413,133</u>

**Lease Commitments**

The Village leases vehicles, copiers, and other office equipment under non-cancelable leases expiring through August 2018. Rental expense under the operating leases were \$13,497 and \$192,603 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments under these leases are as follows:

<u>Fiscal Years Ending June 30</u>	
2018	\$ 8,969
2019	<u>1,546</u>
	<u>\$ 10,515</u>

**Concentration of Credit Risk – Uninsured Cash Balances**

The Village's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2017, the Village exceeded the FDIC insured limits at financial institutions by approximately \$1,327,000 which is the amount of the Village's exposure to credit loss. The Village has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

**9. SUBSEQUENT EVENT**

The Village began a major project to renovate its community center at Bob Hope Village in September 2017. No contracts have yet been awarded for the construction, but small contracts relating to design and construction management totaling \$105,400 have been awarded.





## MARY'S STORY

Our 2016-2017 Annual Report is  
Dedicated to Our Long Time Resident  
Mary Gilmore

Mary and Clarence Gilmore decided to retire to Florida to Teresa Village in 1976 one year after the Air Force Enlisted Widows Home Foundation (now called Air Force Enlisted Village) acquired Teresa Village as a retirement community for widows of U.S. airmen. Clarence had retired from the USAF in 1960 as an E7 after 29 years of service.

The Gilmores spent 13 years together enjoying retired life in Florida until Clarence passed away and left Mary a widow in 1989. Like many couples who have come to the Village, Clarence knew his wife would have a safe home and he knew she would be cared for after he was gone.

***He knew she  
would have a safe  
home and would  
be cared for after  
he was gone.***

Mary came to the Village knowing that it was not a life time care residence; however, she has spent the past 41 years of her life with the Air Force Enlisted Village. Earlier this year, she celebrated her 104th birthday at Hawthorn House.







