

2016

Financial Statements

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2016

(With Independent Auditor's Report Thereon)

GUARDIANSHIP AND TRUSTS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2016

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Guardianship and Trusts Corporation

We have audited the accompanying financial statements of Guardianship and Trusts Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Guardianship and Trusts Corporation as of June 30, 2016, 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.

Patterson Hardee & Ballentine

December 7, 2016

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets:

Cash	\$ 12,754	
Accounts receivable	32,496	
Prepaid expenses	<u>7,377</u>	
Total current assets		\$ 52,627

Property and Equipment, net		5,980
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Assets Whose Use is Limited:

Cash	<u>6,615</u>	
Total assets whose use is limited		6,615

Other Assets:

Burial Plots	1,230	
Security deposit	<u>2,689</u>	
Total other assets		<u>3,919</u>

Total assets		<u><u>\$ 69,141</u></u>
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Current Liabilities:

Accrued expenses	\$ 9,604	
Deferred rent	<u>1,580</u>	
Total current liabilities		\$ 11,184

Net Assets:

Unrestricted	51,293	
Unrestricted - board designated	<u>49</u>	
Total unrestricted net assets		51,342

Temporarily restricted	<u>6,615</u>	
Total restricted net assets		<u>6,615</u>

Total net assets		<u>57,957</u>
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Total liabilities and net assets		<u><u>\$ 69,141</u></u>
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See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Institutional service fees	\$ 30,503	\$ -	\$ -	\$ 30,503
Conservator and guardianship fees	214,772	-	-	214,772
Trustee fees	51,062	-	-	51,062
Contributions and grants	41,443	-	-	41,443
In-kind revenue	15,344	-	-	15,344
Net assets released from restrictions	(20)	20	-	-
Total support and revenues	<u>353,104</u>	<u>20</u>	<u>-</u>	<u>353,124</u>
Expenses:				
Program services:				
Fiduciary activities	<u>304,052</u>	<u>-</u>	<u>-</u>	<u>304,052</u>
Total program services	<u>304,052</u>	<u>-</u>	<u>-</u>	<u>304,052</u>
Supporting services:				
Management and general	<u>50,029</u>	<u>-</u>	<u>-</u>	<u>50,029</u>
Total supporting services	<u>50,029</u>	<u>-</u>	<u>-</u>	<u>50,029</u>
Total expenses	<u>354,081</u>	<u>-</u>	<u>-</u>	<u>354,081</u>
Increase in net assets	(977)	20	-	(957)
Net assets - beginning of year	<u>52,319</u>	<u>6,595</u>	<u>-</u>	<u>58,914</u>
Net assets - end of year	<u>\$ 51,342</u>	<u>\$ 6,615</u>	<u>\$ -</u>	<u>\$ 57,957</u>

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 190,017	\$ 33,532	\$ 223,549
Payroll taxes and benefits	<u>18,703</u>	<u>3,300</u>	<u>22,003</u>
 Total personnel costs	 208,720	 36,832	 245,552
 Bank fees	 178	 44	 222
Depreciation	2,466	435	2,901
Dues and subscriptions	1,625	-	1,625
Education and training	375	-	375
In-kind expense	16,024	1,780	17,804
Insurance	16,670	1,852	18,522
Interest	823	91	914
Licenses and permits	1,257	140	1,397
Office supplies	8,289	921	9,210
Professional services	4,028	4,029	8,057
Rent	29,685	3,298	32,983
Tech support	2,385	265	2,650
Telephone	3,079	342	3,421
Travel, mileage, and parking	<u>8,448</u>	<u>-</u>	<u>8,448</u>
 Total expenses	 <u>\$ 304,052</u>	 <u>\$ 50,029</u>	 <u>\$ 354,081</u>

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:

Increase in net assets	\$	(957)
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Adjustments to reconcile increase in net assets

Accounts receivable

Depreciation	\$	2,901
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Use of burial plots		3,690
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Allowance for doubtful accounts		(31,709)
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Changes in:

Accounts receivable		25,413
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Prepaid expenses		618
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Asset whose use is limited		(20)
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Accrued expenses		689
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Deferred rent		(2,631)
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Total adjustments		(1,049)
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Net cash provided by operating activities		(2,006)
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Net decrease in cash		(2,006)
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Cash - beginning of year		14,760
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Cash - end of year	\$	12,754
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SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2016, was \$951.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we" "our" and "us" are also used throughout these notes to the financial statements to identify the Guardianship and Trusts Corporation ("GTC"). We were incorporated under the laws of the State of Tennessee as a nonprofit organization in December 1980. In March 1983, we were issued a Certificate of Authority by the Tennessee Department of Banking to provide limited trust services. We were formed to provide financial, social advisory, and other fiduciary services to persons with intellectual disabilities. Our services are provided in the capacity of trustee, guardian, conservator, and/or attorney-in-fact primarily in the Middle Tennessee area.

Program Services

The following program service is included in the accompanying financial statements:

Fiduciary Activities – We provide conservatorship, guardianship, attorney-in-fact and trustee services to persons with intellectual and other impairments who are unable to make informed and rational decisions and are without family members or other able and willing to assist. The goal is to provide a reliable continuity to maximize resources and quality of life for our clients.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. As of June 30, 2016, there were no permanently restricted net assets.

Reclassifications

We reclassified cash to asset whose use is limited on the statement of cash flows to reflect the correct change in restricted cash.

Revenue Recognition

We recognize grants and other contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions which are met in the same year in which the contributions are received are classified as unrestricted contributions.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Conservator and Guardianship Fees

We recognize fees when billed or when a motion for such fees is made to the supervising court, or an award of fees from the supervising court is made, discounted by any amounts management believes may be uncollectible. In accordance with nonprofit Generally Accepted Accounting Principles (GAAP) the revenue for conservator and guardianship fees are reported net of these discounts on the Statement of Activities.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2016, there were no cash equivalents.

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the Statement of Financial Position.

Income Tax Status

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, and restricted cash approximate to the carrying values due to the short maturities of these instruments.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Our capitalization policy is to capitalize any expenditure over \$500 for any land, building, and equipment purchased. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2016, no assets were considered to be impaired.

Property and equipment donated with explicit restrictions regarding their use and contributions of cash which must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long the donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service and also reclassify the temporarily restricted net assets to unrestricted net assets concurrently.

NOTE 2 - Accounts Receivable

A summary of the accounts receivable held at June 30, 2016, is as follows:

Trust fees	\$ 4,325
Contract fees	1,402
Guardianship fees	26,769
	<u>\$ 32,496</u>

Discounts are netted against revenue at the time of service based on historical experience and our evaluation of accounts.

NOTE 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2016:

Equipment	\$ 17,077
Furniture	10,468
	27,545
Less: accumulated depreciation	<u>(21,565)</u>
	<u>\$ 5,980</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - Burial Plots

We own burial plots at a local cemetery. These plots have a carrying value based on the fair value on the date of contribution, but are not remeasured at fair value annually in accordance with generally accepted accounting principles. The value of the plots were established by the cemetery where they are located when contributed. As of June 30, 2016, the carrying value of the plots were \$1,230. We are not aware of any effects on the value of the plots and we believe they are not considered to be impaired.

NOTE 5 - Accrued Expenses

At June 30, 2016, expenses were accrued for the following:

Accrued vacation	\$ 3,700
Accrued wages payable	<u>5,904</u>
	<u>\$ 9,604</u>

NOTE 6 - Board-Designated Net Assets

At June 30, 2016, we held assets whose use was designated by the board for the following purpose:

PH Fund	<u>\$ 49</u>
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NOTE 7 - Temporarily Restricted Net Assets

At June 30, 2016, we held assets whose use was temporarily restricted by donors or grantors as follows:

Grant Cash – Minimum Balance	\$ 50
West End Home	<u>6,565</u>
	<u>\$ 6,615</u>

NOTE 8 - Leases

We lease certain equipment under leases classified as operating leases. Total rent expense under the leases for the year ended June 30, 2016, was \$36,512.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2016:

Year Ending June 30,

2017	\$ 20,985
2018	1,937
2019	<u>968</u>
	<u>\$ 23,890</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - Retirement Plan

We adopted a 401(k) retirement plan on January 1, 2002, and amended on January 1, 2011. The plan allows eligible employees to defer up to 25% of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. We match 25% of employee contributions up to a maximum of 4% of the employee's salary. Employees must be full time and be at least 21 years of age to participate, and must exceed 500 hours of service to avoid a break in eligibility. Matching contributions vest at 100% after the employee has completed three years of service. Plan expenses incurred by us during the year ended June 30, 2016, were \$4,703.

NOTE 10 - Donated Services

We recognize contribution revenue for certain services received at their fair value. Those services include donated professional attorney and trustee services used in our program services and amounted to \$15,344 as of June 30, 2016. These amounts are reported as in-kind revenue on the Statement of Activities and in-kind expense on the Statement of Functional Expenses.

NOTE 11 - Related Party Management of Fiduciary Accounts

We serve as the trustee of individual trust accounts, pooled trust accounts, and as the court appointed conservator or guardian of individual ward's assets by court appointment. As a corporate fiduciary chartered by the State of Tennessee, we are subject to regular examination of the Tennessee Department of Financial Institutions in regard to our management of fiduciary accounts. When serving as a court appointed fiduciary or guardian, we are subject to continued court supervision of the management and investment of client's assets. This includes the filing of an annual accounting unless specifically waived by the court. Assets held in a fiduciary capacity totaled \$16,781,368 for the year ending June 30, 2016. These amounts are not considered part of our financial statements and are not included in this audit of our accounts.

NOTE 12 - Contingency

We have a client who has been deceased for some time and whose conservatorship has not yet been closed or assets distributed. We are in the process of closing the conservatorship and identifying interested parties to open an estate.

NOTE 13 - Concentration

At June 30, 2016, 42% of all receivables were due from three clients.

NOTE 14 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2016. As of December 7, 2016 the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.