

Guardianship and Trusts Corporation

Financial Statements
For the Year Ended June 30, 2022

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For the Year Ended June 30, 2022

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Independent Auditor's Report

Board of Directors
Guardianship and Trusts Corporation

Opinion

We have audited the financial statements of Guardianship and Trusts Corporation (the Organization) which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, intentional 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 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee
February 27, 2023

Guardianship and Trusts Corporation
Statement of Financial Position
June 30, 2022

Assets

Current assets

Cash	\$ 113,395
Accounts receivable	86,407
Investments	<u>227,539</u>
Total current assets	427,341

Equipment and furniture, net	297
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Other assets

Burial plots	62,460
Security deposit	<u>3,417</u>

Total assets	\$ 493,515
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Liabilities and Net Assets

Current liabilities

Accrued expenses	\$ 10,667
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Net assets

Without donor restrictions	480,235
With donor restrictions	<u>2,613</u>
Total net assets	<u>482,848</u>

Total liabilities and net assets	\$ 493,515
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Guardianship and Trusts CorporationStatement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Institutional service fees	\$ 14,869	\$ -	\$ 14,869
Conservator and guardianship fees, net	157,619	-	157,619
Trustee fees	64,550	-	64,550
Contributions of financial assets	81,176	1,100	82,276
Other income	225	-	225
Investment loss, net	(47,461)	-	(47,461)
Net assets released from restrictions	<u>1,564</u>	<u>(1,564)</u>	<u>-</u>
Total public support and revenues	272,542	(464)	272,078
Expenses			
Program services	291,767	-	291,767
Management and general	<u>51,392</u>	<u>-</u>	<u>51,392</u>
Total expenses	343,159	-	343,159
Change in net assets	(70,617)	(464)	(71,081)
Net assets, beginning of year	<u>550,852</u>	<u>3,077</u>	<u>553,929</u>
Net assets, end of year	<u>\$ 480,235</u>	<u>\$ 2,613</u>	<u>\$ 482,848</u>

Guardianship and Trusts Corporation

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program services	Management and general	Total
Salaries	\$ 180,922	\$ 31,928	\$ 212,850
Payroll taxes and benefits	<u>21,974</u>	<u>3,878</u>	<u>25,852</u>
	202,896	35,806	238,702
Depreciation	109	19	128
Dues and subscriptions	905	-	905
Equipment maintenance and tech support	6,228	1,099	7,327
Insurance	15,932	2,812	18,744
Licenses and permits	1,317	233	1,550
Office supplies	13,133	1,459	14,592
Professional services	7,686	5,124	12,810
Rent	40,048	4,450	44,498
Telephone	<u>3,513</u>	<u>390</u>	<u>3,903</u>
	\$ 291,767	\$ 51,392	\$ 343,159

Guardianship and Trusts Corporation
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash, beginning of year	\$ 366,195
Cash flows from operating activities	
Change in net assets	(71,081)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	128
Unrealized (gain) loss on investments	50,730
Dividends and interest reinvested	(3,269)
Deferred rent	(1,543)
Forgiveness of PPP loan	(45,000)
Change in:	
Accounts receivable	(52,196)
Pledge receivable	150,000
Security deposit	(728)
Accrued expenses	(4,841)
Net cash provided (used) by operating activities	<u>22,200</u>
Cash flows from investing activities	
Purchase of investments	(275,000)
Net change in cash	<u>(252,800)</u>
Cash, end of year	\$ 113,395

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Guardianship and Trusts Corporation (GTC or Organization) was incorporated under the laws of the State of Tennessee as a nonprofit organization in December 1980. In March 1983, the Organization was issued a Certificate of Authority by the Tennessee Department of Banking to provide limited trust services. The Organization was formed to provide financial, social advisory, and other fiduciary services to persons with intellectual disabilities. The Organization's 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:

Program services – the Organization provides 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 who are without family members or others who are able and willing to assist. The goal is to provide a reliable continuity to maximize resources and quality of life for their clients.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, their net assets and changes therein are classified and reported 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 with donor restrictions – Net assets subject to stipulations imposed by donors, and granters. Some donor 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.

Cash

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2022 are fully collectible.

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 investments are recorded on a trade-date basis. Interest income is recorded when received. Dividends are recorded on the ex-dividend date. The unrealized gain or loss on the investments reported at fair value is reported as a component of investment income.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Fair Value Measurements

Management follows the guidelines in the *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board Accounting (FASB) Standards Codification for determining the fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive

Equipment and Furniture

Equipment and furniture 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. The Organization's capitalization policy is to capitalize any expenditure over \$500. 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 year-end, no assets were considered to be impaired.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization elected to treat the PPP loan as debt.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Accordingly, no provision for income tax has been made. US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or an asset) if the Organization has taken an uncertain position that more likely than not would not be sustained under examination by the Internal Revenue Service. Management has analyzed the tax positions of the Organization and had concluded that as of June 30, 2022, no uncertain tax positions have been taken or are expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. The Organization is no longer subject to US federal examinations for the years prior to June 30, 2019.

As of June 30, 2022, the Organization has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Organization is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Advertising

Advertising is expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy and utilities are allocated on a square footage basis. Salaries and wages, benefits, payroll taxes, and professional services are allocated on the basis of time utilization. Office expenses, supplies, information technology, and insurance are allocated based on usage.

Use of Estimates

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

New Accounting Pronouncement

In September 2020, 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*. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item separate from contributions of cash or other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. Adoption of this ASU had no impact on net assets.

Revenue Recognition

The Organization recognizes 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.

Contributions of Financial Assets

Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for general operations use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as an increase to net assets without donor restrictions.

Contributions of Nonfinancial Assets

Contributions of nonfinancial 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. There were no nonfinancial assets contributed for the year ended June 30, 2022.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 2. Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position consist of the following:

Financial assets	
Cash	\$ 113,395
Accounts receivable	86,407
Investments	<u>227,539</u>
Total financial assets at year-end	427,341
Less amounts not available to be used within one year	
Net assets with donor restrictions	2,613
Board-designated net assets	<u>206</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 424,522

In the next fiscal year, the Organization plans to receive the same level of income from contributions and consider this income for programs, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including a money market account to generate interest. The Organization also invested \$275,000 of cash into investment securities. These investments are considered readily available. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If its analysis of liquid assets reveals inadequate funds for near-term operating needs, the Organization will immediately reduce spending of program and management and general expenditures.

Note 3. Accounts Receivable

A summary of the accounts receivable is as follows:

Guardianship fees	\$ 60,211
Trust fees	24,266
Contract and custodian fees	1,564
Contributions	<u>366</u>
	\$ 86,407

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 4. Investments

The Organization's investments reported at fair value consist of the following:

	Cost or donated basis	Cumulative unrealized loss	Fair value
Mutual funds	\$ 278,269	\$ (50,730)	\$ 227,539

The fair value of the mutual funds is determined using quoted market prices in active markets for identical assets and liabilities (Level 1).

Investment loss, net consists of the following:

Unrealized gain (loss)	\$ (50,730)
Dividend income	3,232
Interest income	37
	<u>\$ (47,461)</u>

Note 5. Equipment and Furniture

Property and equipment consist of the following:

Equipment	\$ 4,500
Furniture	<u>4,524</u>
	9,024
Less: accumulated depreciation	<u>(8,727)</u>
Property and equipment, net	<u>\$ 297</u>

Note 6. Burial Plots

The Organization owns 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 re-measured at fair value annually in accordance with US GAAP. The value of the plots was established by the cemetery where they are located when contributed. As of year-end, the carrying value of the plots is \$62,460. The Organization is not aware of any effects on the value of the plots and believes they are not considered to be impaired.

Note 7. Accrued Expenses

Accrued expenses consist of the following:

Accrued vacation	\$ 6,931
Accrued wages	<u>3,736</u>
	<u>\$ 10,667</u>

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 8. PPP Loan

On February 4, 2021, the Organization received a draw on a loan in the amount of \$45,000 in accordance with the PPP section of the CARES Act. The Organization has elected to treat the PPP loan as debt in the financial statements. During the year ended June 30, 2022, the Organization received notification the draw was forgiven in full. The Organization recognized contribution income of \$45,000 in the statement of activities.

Note 9. Net Assets

The Organization held assets whose use was restricted by donors or granters as follows:

Pete Halverstadt Fund	\$	2,613
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The Organization held assets whose use was designated by the board for the following purpose:

GTC Grant Fund	\$	156
Grant cash, minimum balance		<u>50</u>
	\$	206

Note 10. Leases

The Organization leases certain equipment under leases classified as operating leases from 2022 to 2026. Total rent expense under the leases during the year was \$44,498.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases:

Year ended June 30,		
2023	\$	43,577
2024		44,826
2025		30,990
2026		839
2027		<u>420</u>
Total	\$	120,652

Note 11. Retirement Plan

The Organization adopted a 401(k) retirement plan on January 1, 2002. The plan allows eligible employees to defer up to 25% of their annual compensation, pursuant to Section 401(k) of the IRC. The Organization matches 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. Once the employee has completed 2 years of service, all matching contributions are 100% vested. Employer match expenses incurred by the Organization during the year was \$3,289.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 12. Related Party Management of Fiduciary Accounts

The Organization serves 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, the Organization is subject to regular examination of the Tennessee Department of Financial Institutions in regard to the Organization's management of fiduciary accounts.

When serving as a court appointed fiduciary or guardian, the Organization is subject to continued court supervision of the management and investment of client's assets. This includes the filing of an annual accounting report unless specifically waived by the court. Assets held in a fiduciary capacity totaled \$16,805,562 for the year. These amounts are not considered part of the Organization's financial statements and are not included in the annual audit of the Organization's accounts.

The Organization contracts with one of its board members to provide IT services. During the year, the Organization paid \$4,598 to the board member for these services.

Note 13. Subsequent Events

Management has evaluated subsequent events through February 27, 2023, the date on which the financial statements were available for issuance.