

2014

Financial Statements With Auditor's Letters

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2014

(With Independent Auditor's Report Thereon)

GUARDIANSHIP AND TRUSTS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2014

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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, 2014, 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, 2014, 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.

Emphasis-of-matter

As discussed in Note 12 to the financial statements, the previously issued financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Patterson Hardee & Ballentine

December 17, 2014

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current Assets:

Cash	\$ 16,092	
Accounts receivable, net	28,559	
Prepaid expenses	1,000	
Total current assets		\$ 45,651

Property and Equipment, net	9,469	
Burial Plots	4,920	
Security deposit	2,689	
		17,078

Assets Whose Use is Limited:

Cash	2,610	
Total assets whose use is limited		2,610

Total assets		<u>\$ 65,339</u>
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Current Liabilities:

Accounts payable	\$ 2,510	
Accrued expenses	15,528	
Deferred rent	5,800	
Total current liabilities		\$ 23,838

Net Assets:

Unrestricted	38,891	
Temporarily restricted	2,610	

Total net assets		<u>41,501</u>
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Total liabilities and net assets		<u>\$ 65,339</u>
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GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Institutional service fees	\$ 15,290	\$ -	\$ -	\$ 15,290
Conservator and guardianship fees	164,194	-	-	164,194
Trustee fees	52,053	-	-	52,053
Contributions and grants	57,515	5,510	-	63,025
In-kind revenue	16,956	-	-	16,956
Net assets released from restrictions	6,662	(6,662)	-	-
Total support and revenues	312,670	(1,152)	-	311,518
Expenses:				
Program services:				
Fiduciary activities	294,699	-	-	294,699
Total program services	294,699	-	-	294,699
Supporting services:				
Management and general	60,300	-	-	60,300
Fundraising	-	-	-	-
Total supporting services	60,300	-	-	60,300
Total expenses	354,999	-	-	354,999
Decrease in net assets	(42,329)	(1,152)	-	(43,481)
Net assets - beginning of year, as previously reported	76,300	8,682	-	84,982
Prior period adjustment	4,920	(4,920)	-	-
Net assets - beginning of year	81,220	3,762	-	84,982
Net assets - end of year	\$ 38,891	\$ 2,610	\$ -	\$ 41,501

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	\$ 166,926	\$ 36,642	\$ 203,568
Payroll taxes and benefits	<u>35,820</u>	<u>7,337</u>	<u>43,157</u>
 Total personnel costs	 202,746	 43,979	 246,725
 Bank fees	 168	 42	 210
Depreciation	2,023	674	2,697
Dues and subscriptions	2,723	303	3,026
Education and training	1,055	-	1,055
In-kind expense	15,260	1,696	16,956
Insurance	10,892	3,631	14,523
Interest	476	119	595
Licenses and permits	1,613	403	2,016
Office supplies	10,240	771	11,011
Professional services	6,909	1,125	8,034
Rent	27,621	6,905	34,526
Tech support	3,514	-	3,514
Telephone	2,648	294	2,942
Travel, mileage, and parking	<u>6,811</u>	<u>358</u>	<u>7,169</u>
 Total expenses	 <u>\$ 294,699</u>	 <u>\$ 60,300</u>	 <u>\$ 354,999</u>

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows From Operating Activities:		
Decrease in net assets	\$	(43,481)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	\$	2,697
Allowance for doubtful accounts		1,754
Changes in:		
Accounts receivable		57,847
Prepaid expenses		2,833
Asset whose use is limited		1,152
Accounts payable		1,510
Accrued expenses		(3,680)
Deferred rent		(578)
Total adjustments		<u>63,535</u>
Net cash provided by operating activities		<u>20,054</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment		<u>(5,500)</u>
Net cash used in investing activities		<u>(5,500)</u>
Net increase in cash		14,554
Cash - beginning of year, as restated		<u>1,538</u>
Cash - end of year	\$	<u><u>16,092</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2014, was \$595.

Assets were disposed of during the year ended June 30, 2014, with an original cost of \$38,534, salvage value of zero, and net book value of zero.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. The Guardianship and Trusts Corporation ("GTC") was 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. Their 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 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, 2014, 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, 2014

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, discounted by any amounts management believes may be uncollectible. See Note 2.

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, 2014, 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. We are not subject to examination by U.S. federal or state taxing authorities for years before 2011.

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. As of June 30, 2014, there were no advertising expenses 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.

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.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2014, 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, 2014, is as follows:

Trust fees	\$ 4,635
Contract fees	1,684
Guardianship fees	<u>41,731</u>
	48,050
Less: allowance for doubtful accounts	<u>(19,491)</u>
	<u>\$ 28,559</u>

Bad debts are recognized on the allowance method based on historical experience and our evaluation of outstanding accounts.

NOTE 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

Equipment	\$ 14,564
Furniture	<u>10,468</u>
	25,032
Less: accumulated depreciation	<u>(15,563)</u>
	<u>\$ 9,469</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the carrying value of the plots were \$4,920, and 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, 2014, expenses were accrued for the following:

Accrued vacation	\$ 8,515
Accrued bonuses	4,000
Accrued wages payable	<u>3,013</u>
	<u>\$ 15,528</u>

NOTE 6 - Temporarily Restricted Net Assets

At June 30, 2014, we held assets whose use was temporarily restricted by donors or grantors as follows:

Grant Cash – Minimum Balance	\$ 50
Frist Foundation	<u>2,560</u>
	<u>\$ 2,610</u>

NOTE 7 - Leases

We lease certain equipment under leases classified as operating leases. Total rent expense under the leases for the year ended June 30, 2014, was \$34,526.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2014:

Year Ending June 30,

2015	\$ 38,662
2016	37,569
2017	19,049
2018	-
2019	<u>-</u>
	<u>\$ 95,280</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 - 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. Employees 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, 2014, was \$4,577.

NOTE 9 - 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 \$16,956 as of June 30, 2014. These amounts are reported as in-kind revenue on the Statement of Activities and in-kind expense on the Statement of Functional Expenses.

NOTE 10 - Trust Assets

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$15,516,060 for the year ending June 30, 2014. These amounts are not considered part of our financial statements.

NOTE 11 - Concentrations

At June 30, 2014, 39% of all receivables were due from two clients.

NOTE 12 - Prior Period Adjustments

A prior period adjustment at the beginning of the fiscal year was made to correct errors in previously reported unrestricted and temporarily restricted net assets. The effect of the restatement was an increase to unrestricted net assets by \$4,920 and a decrease to temporarily restricted net assets by \$4,920.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2014. As of December 17, 2014, 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.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 17, 2014

To the Board of Directors of
Guardianship and Trusts Corporation

We have audited the financial statements of Guardianship and Trusts Corporation for the year ended June 30, 2014, and have issued our report thereon dated December 17, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 4, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Guardianship and Trusts Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of the allocations of functional expenses between program and management and general which are based on management's judgment relating to the underlying invoices to support the expense. We evaluated the key factors and assumptions used to develop the allocation of the functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the prior period adjustment in Note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: accounts receivable, fixed assets, accounts payable, accrued expenses, prepaid expenses, net assets, gain on revaluation, and in-kind revenue and expense.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 17, 2014

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Guardianship and Trusts Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Handley & Ballentine



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 17, 2014

To the Board of Directors of
Guardianship and Trusts Corporation

In planning and performing our audit of your financial statements for the year ended June 30, 2014, we became aware of several matters that are opportunities for strengthening operating effectiveness for the Organization. In addition, we noted certain matters involving current accounting issues and other matters, both of which are presented here for your consideration.

This letter does not affect our report dated December 17, 2014, on the financial statements of Guardianship and Trusts Corporation. We will review the status of these comments during our next engagement. Our comments and recommendations are intended to improve your understanding of current events which could be affecting your Organization's accounting policies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Establish a Check Signing Policy

Once the Executive Director signs the checks, they are returned to the preparer for mailing. In order to reduce the risk that checks could be altered after being signed, we recommend that once checks have been signed, they are immediately mailed by someone who did not prepare the check.

Cash Receipts Log Reconciliation

Checks and payments are usually received through the mail, which is opened by the Office Manager. We understand the person who opens the mail also lists the cash receipts. We recommend for the Executive Director to compare the list of cash receipts to the bank deposits when the reconciliations are performed.

Establish an HRA Plan

New regulations have been passed relating to the Affordable Care Act. We recommend consulting with a plan advisor about implementing an HRA Plan in order to comply with the requirements of the Affordable Care Act as an employer.

As always, thank you for your business, and please call us with any questions!

Patterson Hardee & Ballentine