

**GUARDIANSHIP AND TRUSTS CORPORATION**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2007 AND 2006**

# GUARDIANSHIP AND TRUSTS CORPORATION

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**(INDEPENDENT AUDITORS' REPORT)**

To the Board of Directors  
**Guardianship and Trusts Corporation**  
Nashville, Tennessee

We have audited the accompanying statements of financial position of **Guardianship and Trusts Corporation** (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**CPA Consulting Group, PLLC**

October 22, 2007

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 67,615	\$ 57,146
Board Discretionary Account	761	979
Accounts receivable	147,792	120,039
Prepaid expenses	4,118	4,365
Temporarily Restricted Asset	<u>10,440</u>	<u>10,440</u>
<b>TOTAL CURRENT ASSETS</b>	<u>230,726</u>	<u>192,969</u>
<b>PROPERTY AND EQUIPMENT – NET</b>	<u>5,330</u>	<u>9,048</u>
<b>OTHER ASSETS</b>		
Investment in restricted stock	<u>8,000</u>	<u>8,000</u>
<b>TOTAL ASSETS</b>	<u>\$244,056</u>	<u>\$210,017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 261	\$ 141
Wages payable	5,509	5,997
Accrued payroll taxes	704	755
Accrued vacation	3,692	3,876
Accrued employer contribution	<u>54</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>10,220</u>	<u>10,769</u>
<b>NET ASSETS</b>		
Unrestricted	186,739	179,279
Temporarily restricted	39,097	11,969
Permanently restricted	<u>8,000</u>	<u>8,000</u>
<b>TOTAL NET ASSETS</b>	<u>233,836</u>	<u>199,248</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$244,056</u>	<u>\$210,017</u>

See accompanying notes to financial statements and independent auditor's report.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>								
Institutional service fees	\$ 7,615	\$ -	\$ -	\$ 7,615	\$ 6,966	\$ -	\$ -	\$ 6,966
Conservator and guardianship fees	165,562	-	-	165,562	160,377	-	-	160,377
Attorney-in-fact fees	4,503	-	-	4,503	3,453	-	-	3,453
Trustee fees	74,759	-	-	74,759	60,763	-	-	60,763
Contributions & Grants	63,054	108,516	-	171,570	29,653	53,651	-	83,304
Investment income	2,017	-	-	2,017	1,616	-	-	1,616
Net assets released from restrictions	81,388	(81,388)	-	-	53,944	(53,944)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>398,898</b>	<b>27,128</b>	<b>-</b>	<b>426,026</b>	<b>316,772</b>	<b>(293)</b>	<b>-</b>	<b>316,479</b>
<b>EXPENSES</b>								
<b>Program services</b>								
Bank charges	186	-	-	186	155	-	-	155
Depreciation	4,441	-	-	4,441	4,310	-	-	4,310
Dues & subscriptions	923	-	-	923	619	-	-	619
Education & training	2,301	-	-	2,301	2,873	-	-	2,873
Equipment rental & maintenance	2,897	-	-	2,897	2,422	-	-	2,422
Employee benefits	20,318	-	-	20,318	19,270	-	-	19,270
Examination fees – TDFI	-	-	-	-	800	-	-	800
Insurance	15,940	-	-	15,940	16,639	-	-	16,639
Licenses & permits	949	-	-	949	1,031	-	-	1,031
Miscellaneous	496	-	-	496	484	-	-	484
Office expense	5,317	-	-	5,317	4,464	-	-	4,464
Payroll taxes	15,439	-	-	15,439	14,361	-	-	14,361
Professional services	36,740	-	-	36,740	26,798	-	-	26,798
Rent	29,393	-	-	29,393	29,958	-	-	29,958
Salaries	182,344	-	-	182,344	183,152	-	-	183,152
Telephone	4,841	-	-	4,841	4,332	-	-	4,332
Travel/mileage/parking	9,601	-	-	9,601	8,124	-	-	8,124
<b>Total program services</b>	<b>332,126</b>	<b>-</b>	<b>-</b>	<b>332,126</b>	<b>319,792</b>	<b>-</b>	<b>-</b>	<b>319,792</b>
<b>Support services</b>								
Annual Dinner	-	-	-	-	616	-	-	616
Bank Charges	80	-	-	80	-	-	-	-
Depreciation	784	-	-	784	760	-	-	760
Employee benefits	3,996	-	-	3,996	4,818	-	-	4,818
Equipment rental & maintenance	152	-	-	152	427	-	-	427
Examination fees – TDFI	-	-	-	-	200	-	-	200
Gifts – Memorials	52	-	-	52	-	-	-	-
Insurance	1,771	-	-	1,771	2,936	-	-	2,936
Licenses & fees	-	-	-	-	115	-	-	115
Miscellaneous	88	-	-	88	85	-	-	85
Office expense	283	-	-	283	626	-	-	626
Payroll taxes	3,036	-	-	3,036	2,847	-	-	2,847
Professional fees	7,769	-	-	7,769	12,287	-	-	12,287
Rent	5,187	-	-	5,187	5,287	-	-	5,287
Salaries	35,859	-	-	35,859	36,310	-	-	36,310
Telephone	255	-	-	255	481	-	-	481
Travel/mileage/parking	-	-	-	-	903	-	-	903
<b>Total support services</b>	<b>59,312</b>	<b>-</b>	<b>-</b>	<b>59,312</b>	<b>68,698</b>	<b>-</b>	<b>-</b>	<b>68,698</b>
<b>Fund raising</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>391,438</b>	<b>-</b>	<b>-</b>	<b>391,438</b>	<b>388,490</b>	<b>-</b>	<b>-</b>	<b>388,490</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,460</b>	<b>27,128</b>	<b>-</b>	<b>34,588</b>	<b>(71,718)</b>	<b>(293)</b>	<b>-</b>	<b>(72,011)</b>
<b>NET ASSETS:</b>								
<b>BEGINNING OF YEAR</b>	<b>179,279</b>	<b>11,969</b>	<b>8,000</b>	<b>199,248</b>	<b>250,997</b>	<b>12,262</b>	<b>8,000</b>	<b>271,259</b>
<b>END OF YEAR</b>	<b>\$ 186,739</b>	<b>\$ 39,097</b>	<b>\$ 8,000</b>	<b>\$ 233,836</b>	<b>\$ 179,279</b>	<b>\$ 11,969</b>	<b>\$ 8,000</b>	<b>\$ 199,248</b>

See accompanying notes to financial statements and independent auditor's report.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ 34,588	\$ (72,011)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	5,225	5,070
(Increase) decrease in operating assets		
Accounts receivable	(27,754)	36,498
Prepaid expense	247	(1,593)
Board Discretionary Account	218	292
Temporarily restricted asset	-	-
Increase (decrease) in operating liabilities		
Accounts payable	120	141
Accrued wages	(488)	(82)
Accrued vacation	(184)	1,656
Accrued payroll taxes	(51)	120
Accrued employer contribution	55	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>11,976</u>	<u>(29,909)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>(1,507)</u>	<u>(1,001)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(1,507)</u>	<u>(1,001)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	10,469	(30,910)
<b>BEGINNING CASH</b>	<u>57,146</u>	<u>88,056</u>
<b>ENDING CASH</b>	<u>\$ 67,615</u>	<u>\$ 57,146</u>

See accompanying notes to financial statements and independent auditor's report.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General and Nature of Activities**

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, GTC was issued a Certificate of Authority by the department of banking to provide limited trust services. GTC was formed to provide financial, medical advisory and other fiduciary services to persons mentally handicapped. Their services are provided in the capacity of trustee, guardian, conservator, and/or attorney-in-fact primarily in the Middle Tennessee area.

**Financial Statement Presentation**

GTC has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

**Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Accordingly, actual results could differ from those estimates.

**Property and Equipment**

It is GTC's policy to capitalize property and equipment over \$100. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, GTC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GTC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of five to seven years.

**Investment in Restricted Stock**

The investment in restricted stock is comprised of qualified real estate investment trust stock donated to the organization. It is stated at cost, which is its par value, which is the liquidating value in accordance with the stock restriction agreement.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

GTC has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

**Conservator and Guardianship Fees**

Fees are recognized as the service is provided based on accumulated time, plus out-of-pocket expenses. Based on management experience and the nature of court authorized payments, fee adjustments are made at the time of fee motion. Consequently, no allowance is considered necessary.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to GTC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

GTC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Contributed Goods and Services**

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that 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. No amounts have been reflected in the statements for time donated by unpaid volunteers for GTC's leadership, activities and fund raising events, because the criteria for recognition under SFAS No. 116 has not been satisfied.

**Income Taxes**

GTC is a not-for-profit corporation that is exempt from income taxes on income under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 2 - RESTRICTED CASH**

GTC maintains separate accounts for funds from grants with restrictions and for funds restricted for fiduciary services. Funds are transferred to the operating account to be used for their intended purpose as specified in the restrictions. The fiduciary account includes certain board designation of unrestricted contributions. The grant account primarily holds funds received from United Way and West End Home Foundation grants. Interest earned on these accounts is recorded as unrestricted as designated by the Board.

**NOTE 3 – BOARD DISCRETIONARY ACCOUNT**

The President of the Board was entrusted with a discretionary fund to be used for human resource purposes and is held in an attorney escrow account. Disbursements are made at his discretion and reported to the Board. The balance at June 30, 2007 and 2006 was \$761 and \$979 respectively.

**NOTE 4 – TEMPORARILY RESTRICTED ASSET**

In prior years, GTC received several funeral plots for clients without the financial means for burial. These plots are released as the need arises. The funeral plots were originally recorded as prepaid expenses. However, the Board decided to reclassify the plots as a temporarily restricted asset because it is a more meaningful presentation. The balance of plots available as of June 30, 2007 and 2006 was \$10,440.

**NOTE 5 - INVESTMENTS**

Investments for the years ended June 30, 2007 and 2006 were valued at \$8,000 and are permanently restricted. The cost of the investments is equal to the carrying value. Dividends from the stock were \$530 for the year ended June 30, 2007 and \$190 for the year ended June 30, 2006 and are included in unrestricted investment income in the statements of activities.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Office furniture & equipment	\$ 59,664	\$ 58,158
Accumulated depreciation	<u>(54,334)</u>	<u>(49,111)</u>
	<u>\$ 5,330</u>	<u>\$ 9,048</u>

**NOTE 7 - LEASING ARRANGEMENTS**

On January 1, 2006, GTC entered into a five year operating lease agreement, for the rental of office space at \$2,881 per month, with a 10% service charge for payments not received by the 5<sup>th</sup> day of the month. The lease expires December 31, 2010.

On November 6, 2006, GTC entered into an operating lease agreement for a postage scale and meter. The lease requires quarterly payments of \$176 through January 1, 2010.

On December 1, 2000, GTC entered into a month-to-month agreement to lease parking spaces for its employees. The employees reimburse a nominal amount through payroll deductions. The net cost is included in travel/mileage in the statement of activities.

On February 17, 2005, GTC entered into an operating lease arrangement for the rental of a copier. The lease requires monthly payments of \$188 through January 17, 2009.

Future minimum lease payments under all cancelable operating leases are as follows:

	<u>Operating</u>
Fiscal year ending June 30.	
2008	\$ 37,540
2009	36,600
2010	34,932
2011	17,290
2012	<u>-</u>
	<u>\$ 126,362</u>

Rent expense for each of the years ended June 30, 2007 and 2006 was \$34,580 and \$35,245 respectively. These expenses have been reported in various classifications based upon the related functional use.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 8 - DONATED SERVICES AND EXPENSES**

GTC receives donated services from a variety of unpaid volunteers assisting in financial, clinical and legal services. Certain donated amounts have not been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied. Donated services meeting the criteria of SFAS No. 116 were included in contributions and grants on the statement of activities and amounted to \$21,900 in June 30, 2007 and \$8,752 in June 30, 2006.

**NOTE 8 - TRUST ASSETS**

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$20,335,096 at June 30, 2007 and \$11,203,919 at June 30, 2006, and are not considered part of the GTC financial statements.

**NOTE 9 - CASH FLOW INFORMATION**

There were no income taxes paid or interest paid during the years ended June 30, 2007 or 2006.

**NOTE 10 - CONTRACTS**

GTC has several contracts to provide limited guardianship services.

**NOTE 11 - RESTRICTIONS ON NET ASSETS**

Net assets were released from donor restrictions by incurring the expenses and by making the expenditure that was specified by the donors during June 30, 2007 and 2006.

Permanently restricted net assets consist of preferred stock organized to qualify as a real estate investment trust. Dividends from the stock are unrestricted and are deposited into the operating account.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 12 - RETIREMENT PLAN**

GTC adopted a 401(k) retirement plan on January 1, 2002, as amended on January 1, 2006. The plan allows eligible employees to defer up to 25% of their annual compensation pursuant to Section 401(k) of the Internal Revenue Code. The Organization matches 25% of employee contributions up to a maximum of 4% of the employee's salary. Employees must be at least 21 years of age to participate. Matching contributions vest at 100% after the employee has completed three years of service. Plan expenses incurred by GTC during the years ended June 30, 2007 and 2006 were \$2.207 and \$2.178 respectively.

**NOTE 13 – CONCENTRATIONS**

GTC received grant income from two funding sources during the years ending June 30, 2007 and 2006, that comprised 60% and 58%, respectively, of total contributions and grants.