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GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007**

GUARDIANSHIP AND TRUSTS CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements.....	5 - 9



(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, 2008 and 2007, 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 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 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, 2008 and 2007, 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

CPA Consulting Group PLLC

October 2, 2008

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 84,786	\$ 67,615
Board Discretionary Account	545	761
Accounts receivable	134,524	147,792
Prepaid expenses	4,340	4,118
TOTAL CURRENT ASSETS	<u>224,195</u>	<u>220,286</u>
PROPERTY AND EQUIPMENT – NET	<u>2,149</u>	<u>5,330</u>
OTHER ASSETS		
Security deposit	2,772	-
Temporarily Restricted Asset	6,150	10,440
Investment in restricted stock	8,000	8,000
	<u>16,922</u>	<u>18,440</u>
TOTAL ASSETS	<u>\$ 243,266</u>	<u>\$ 244,056</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 573	\$ 261
Wages payable	5,569	5,509
Accrued payroll taxes	1,050	704
Accrued vacation	8,163	3,692
Accrued employer contribution	-	54
TOTAL CURRENT LIABILITIES	<u>15,355</u>	<u>10,220</u>
NET ASSETS		
Unrestricted	198,491	186,739
Temporarily restricted	21,420	39,097
Permanently restricted	8,000	8,000
TOTAL NET ASSETS	<u>227,911</u>	<u>233,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 243,266</u>	<u>\$ 244,056</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, 2008 AND 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Institutional service fees	\$ 7,560	\$ -	\$ -	\$ 7,560	\$ 7,615	\$ -	\$ -	\$ 7,615
Conservator and guardianship fees	178,687	-	-	178,687	165,562	-	-	165,562
Attorney-in-fact fees	-	-	-	-	4,503	-	-	4,503
Trustee fees	45,014	-	-	45,014	74,759	-	-	74,759
Contributions & Grants	101,911	48,300	-	150,211	63,054	108,516	-	171,570
Investment income	660	-	-	660	2,017	-	-	2,017
Net assets released from restrictions	65,977	(65,977)	-	-	81,388	(81,388)	-	-
TOTAL REVENUE AND OTHER SUPPORT	399,809	(17,677)	-	382,132	398,898	27,128	-	426,026
EXPENSES								
Program services								
Bank charges	477	-	-	477	186	-	-	186
Client expenses	37	-	-	37	-	-	-	-
Client expenses - funeral plots	4,291	-	-	4,291	-	-	-	-
Depreciation	2,386	-	-	2,386	4,441	-	-	4,441
Dues & subscriptions	1,142	-	-	1,142	923	-	-	923
Education & training	1,387	-	-	1,387	2,301	-	-	2,301
Equipment rental & maintenance	1,959	-	-	1,959	2,897	-	-	2,897
Employee benefits	18,538	-	-	18,538	20,318	-	-	20,318
Insurance	16,790	-	-	16,790	15,940	-	-	15,940
Licenses & permits	364	-	-	364	949	-	-	949
Miscellaneous	237	-	-	237	496	-	-	496
Office expense	4,338	-	-	4,338	5,317	-	-	5,317
Payroll taxes	13,249	-	-	13,249	15,439	-	-	15,439
Professional services	50,703	-	-	50,703	36,740	-	-	36,740
Rent	27,664	-	-	27,664	29,393	-	-	29,393
Salaries	154,612	-	-	154,612	182,344	-	-	182,344
Tech support	465	-	-	465	-	-	-	-
Telephone	4,088	-	-	4,088	4,841	-	-	4,841
Travel/mileage/parking	8,047	-	-	8,047	9,601	-	-	9,601
Total program services	310,774	-	-	310,774	332,126	-	-	332,126
Support services								
Bank Charges	159	-	-	159	80	-	-	80
Depreciation	795	-	-	795	784	-	-	784
Employee benefits	4,635	-	-	4,635	3,996	-	-	3,996
Equipment rental & maintenance	490	-	-	490	152	-	-	152
Gifts - Memorials	-	-	-	-	52	-	-	52
Insurance	884	-	-	884	1,771	-	-	1,771
Licenses & fees	364	-	-	364	-	-	-	-
Miscellaneous	59	-	-	59	88	-	-	88
Office expense	396	-	-	396	283	-	-	283
Payroll taxes	4,598	-	-	4,598	3,036	-	-	3,036
Professional fees	1,293	-	-	1,293	7,769	-	-	7,769
Rent	6,916	-	-	6,916	5,187	-	-	5,187
Salaries	53,662	-	-	53,662	35,859	-	-	35,859
Telephone	1,022	-	-	1,022	255	-	-	255
Travel/mileage/parking	2,010	-	-	2,010	-	-	-	-
Total support services	77,283	-	-	77,283	59,312	-	-	59,312
Fund raising	-	-	-	-	-	-	-	-
TOTAL EXPENSES	388,057	-	-	388,057	391,438	-	-	391,438
CHANGE IN NET ASSETS	11,752	(17,677)	-	(5,925)	7,460	27,128	-	34,588
NET ASSETS:								
BEGINNING OF YEAR	186,739	39,097	8,000	233,836	179,279	11,969	8,000	199,248
END OF YEAR	\$ 198,491	\$ 21,420	\$ 8,000	\$ 227,911	\$ 186,739	\$ 39,097	\$ 8,000	\$ 233,836

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (5,925)	\$ 34,588
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	3,181	5,225
(Increase) decrease in operating assets		
Accounts receivable	13,268	(27,754)
Prepaid expense	(222)	247
Board Discretionary Account	216	218
Temporarily restricted asset	4,290	-
Security Deposit	(2,772)	-
Increase (decrease) in operating liabilities		
Accounts payable	313	120
Accrued wages	60	(488)
Accrued vacation	4,471	(184)
Accrued payroll taxes	346	(51)
Accrued employer contribution	(55)	55
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>17,171</u>	<u>11,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(1,507)
NET CASH (USED) BY INVESTING ACTIVITIES	-	(1,507)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH	17,171	10,469
BEGINNING CASH	<u>67,615</u>	<u>57,146</u>
ENDING CASH	<u>\$ 84,786</u>	<u>\$ 67,615</u>

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

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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, 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.

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, 2008 AND 2007

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, 2008 AND 2007

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 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, 2008 and 2007 was \$545 and \$761, 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 balance of plots available as of June 30, 2008 and 2007 was \$6,150 and \$10,440, respectively.

NOTE 5 - INVESTMENTS

Investments for the years ended June 30, 2008 and 2007 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 \$375 for the year ended June 30, 2008 and \$530 for the year ended June 30, 2007 and are included in unrestricted investment income in the statements of activities.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Office furniture & equipment	\$ 59,664	\$ 59,664
Accumulated depreciation	<u>(57,515)</u>	<u>(54,334)</u>
	<u>\$ 2,149</u>	<u>\$ 5,330</u>

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 5th 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 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,	2009	36,600
	2010	34,932
	2011	17,290
	2012	-
	2013	-
		<u>\$ 88,822</u>

Rent expense for each of the years ended June 30, 2008 and 2007 was \$34,580. These expenses have been reported in various classifications based upon the related functional use.

NOTE 8 - DONATED SERVICES AND EXPENSES

The Organization recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney services used in the Organization's program services and amounted to \$49,055 and \$21,900 for the years ending June 30, 2008 and 2007, respectively.

NOTE 9 - TRUST ASSETS

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$11,549,931 at June 30, 2008 and \$20,335,096 at June 30, 2007, and are not considered part of the GTC financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 10 - CASH FLOW INFORMATION

There were no income taxes paid or interest paid during the years ended June 30, 2008 or 2007.

NOTE 11 - CONTRACTS

GTC has several contracts to provide limited guardianship services.

NOTE 12 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions by incurring the expenses required for the intended purpose that was specified by the donors during June 30, 2008 and 2007.

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.

NOTE 13 - RETIREMENT PLAN

GTC adopted a 401(k) retirement plan on January 1, 2002, and 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, 2008 and 2007 were \$2,251 and \$2,207 respectively.

NOTE 14 – CONCENTRATIONS

GTC received grant income from two funding sources during the years ending June 30, 2008 and 2007, that comprised 29% and 63%, respectively, of total contributions and grants.