

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

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, 2011 and 2010 (as restated), 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, 2011 and 2010 (as restated), 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

Nashville, Tennessee
November 1, 2011

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010, As Restated</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,387	\$ 11,202
Accounts receivable	55,243	26,590
Prepaid expenses	-	-
TOTAL CURRENT ASSETS	<u>63,630</u>	<u>37,792</u>
PROPERTY AND EQUIPMENT – NET	<u>2,076</u>	<u>2,738</u>
OTHER ASSETS		
Security deposit	2,772	2,772
Temporarily Restricted Asset	4,920	4,920
Investment in restricted stock	-	8,000
	<u>7,692</u>	<u>15,692</u>
TOTAL ASSETS	<u>\$ 73,398</u>	<u>\$ 56,222</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,000	\$ 761
Wages payable	13,622	7,437
Accrued payroll taxes	1,680	1,442
Accrued vacation	8,333	11,407
Accrued employer contribution	247	123
TOTAL CURRENT LIABILITIES	<u>25,882</u>	<u>21,170</u>
NET ASSETS		
Unrestricted	40,296	22,032
Temporarily restricted	7,220	5,020
Permanently restricted	-	8,000
TOTAL NET ASSETS	<u>47,516</u>	<u>35,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,398</u>	<u>\$ 56,222</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, 2011 AND 2010

	2011				2010, As Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Institutional service fees	\$ 10,235	\$ -	\$ -	\$ 10,235	\$ 8,799	\$ -	\$ -	\$ 8,799
Conservator and guardianship fees	202,596	-	-	202,596	190,907	-	-	190,907
Trustee fees	46,321	-	-	46,321	50,303	-	-	50,303
Contributions & Grants	100,360	34,370	-	134,730	79,734	24,670	-	104,404
Investment income	140	-	-	140	142	-	-	142
Net assets released from restrictions	40,170	(32,170)	(8,000)	-	45,993	(45,993)	-	-
TOTAL REVENUE AND OTHER SUPPORT	399,822	2,200	(8,000)	394,022	375,878	(21,323)	-	354,555
EXPENSES								
Program services								
Bank charges	211	-	-	211	162	-	-	162
Client expenses	96	-	-	96	14	-	-	14
Client expenses – funeral plots	-	-	-	-	1,230	-	-	1,230
Depreciation	497	-	-	497	707	-	-	707
Dues & subscriptions	761	-	-	761	630	-	-	630
Education & training	1,034	-	-	1,034	669	-	-	669
Equipment rental & maintenance	972	-	-	972	3,635	-	-	3,635
Employee benefits	18,678	-	-	18,678	26,313	-	-	26,313
Insurance	13,715	-	-	13,715	14,635	-	-	14,635
Interest	928	-	-	928	-	-	-	-
Licenses & permits	1,610	-	-	1,610	395	-	-	395
Miscellaneous	-	-	-	-	237	-	-	237
Office expense	6,591	-	-	6,591	3,548	-	-	3,548
Payroll taxes	11,350	-	-	11,350	13,809	-	-	13,809
Professional services	68,140	-	-	68,140	44,604	-	-	44,604
Rent	27,664	-	-	27,664	27,664	-	-	27,664
Salaries	138,713	-	-	138,713	154,032	-	-	154,032
Tech support	-	-	-	-	35	-	-	35
Telephone	3,254	-	-	3,254	3,802	-	-	3,802
Travel/mileage/parking	7,821	-	-	7,821	9,879	-	-	9,879
Total program services	302,035	-	-	302,035	306,000	-	-	306,000
Support services								
Bank Charges	70	-	-	70	54	-	-	54
Depreciation	166	-	-	166	236	-	-	236
Dues & subscriptions	85	-	-	85	70	-	-	70
Employee benefits	4,669	-	-	4,669	6,578	-	-	6,578
Equipment rental & maintenance	243	-	-	243	909	-	-	909
Insurance	4,572	-	-	4,572	4,878	-	-	4,878
Interest	232	-	-	232	-	-	-	-
Licenses & permits	402	-	-	402	395	-	-	395
Miscellaneous	-	-	-	-	59	-	-	59
Office expense	1,053	-	-	1,053	347	-	-	347
Payroll taxes	3,864	-	-	3,864	4,671	-	-	4,671
Professional services	7,262	-	-	7,262	1,481	-	-	1,481
Rent	6,916	-	-	6,916	6,916	-	-	6,916
Salaries	47,219	-	-	47,219	52,102	-	-	52,102
Telephone	813	-	-	813	951	-	-	951
Travel/mileage/parking	1,957	-	-	1,957	2,468	-	-	2,468
Total support services	79,523	-	-	79,523	82,115	-	-	82,115
Fund raising	-	-	-	-	-	-	-	-
TOTAL EXPENSES	381,558	-	-	381,558	388,115	-	-	388,115
CHANGE IN NET ASSETS	18,264	2,200	(8,000)	12,464	(12,237)	(21,323)	-	(33,560)
NET ASSETS:								
BEGINNING OF YEAR (As Restated at June 30, 2010 – SEE NOTE 15)	22,032	5,020	8,000	35,052	34,269	26,343	8,000	68,612
END OF YEAR	\$ 40,296	\$ 7,220	\$ -	\$ 47,516	\$ 22,032	\$ 5,020	\$ 8,000	\$ 35,052

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, 2011 AND 2010

	<u>2011</u>	<u>2010, As Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 12,464	(\$ 33,560)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	662	943
(Increase) decrease in operating assets		
Accounts receivable	(28,653)	7,457
Prepaid expense	-	1,566
Board Discretionary Account	-	482
Temporarily restricted asset	-	1,230
Increase (decrease) in operating liabilities		
Accounts payable	1,238	466
Accrued wages	6,185	(15)
Accrued vacation	(3,074)	6,928
Accrued payroll taxes	238	528
Accrued employer contribution	<u>125</u>	<u>(53)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(10,815)</u>	<u>(14,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>8,000</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	(2,815)	(14,028)
BEGINNING CASH	<u>11,202</u>	<u>25,230</u>
ENDING CASH	<u>\$ 8,387</u>	<u>\$ 11,202</u>

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

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 Tennessee 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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and all highly liquid investments with a maturity of three months or less at the time of purchase.

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.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Grants and other contributions of cash and other assets are reported 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 that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Conservator and Guardianship Fees

Fees are recognized when billed or a motion for such fees is made to the supervising court, discounted by any amounts management believes may be uncollectible. Consequently, no allowance is considered necessary.

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.

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.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing the programs and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through November 1, 2011, the date the financial statements were available to be issued.

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 foundations. Interest earned on these accounts is recorded as unrestricted as designated by the Board.

NOTE 3 – 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, 2011 and 2010 was \$4,920.

NOTE 4 - INVESTMENTS

Investments for the years ended June 30, 2011 and 2010 were valued at \$0 and \$8,000 respectively and are permanently restricted. The cost of the investments is equal to the carrying value. The Organization's \$8,000 investment in the stock was returned during the year ending June 30, 2011 as the company the stock was held in was dissolved. Dividends from the stock were \$140 for the year ended June 30, 2011 and \$140 for the year ended June 30, 2010 and are included in unrestricted investment income in the statements of activities.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Office furniture & equipment	\$ 62,241	\$ 62,241
Accumulated depreciation	<u>(60,166)</u>	<u>(59,503)</u>
	<u>\$ 2,075</u>	<u>\$ 2,738</u>

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 - 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 expired December 31, 2010. GTC leased on a month to month basis from January 2011 until November 2011 when they signed a new lease agreement for office space at a different location. The new office lease requires monthly payments of \$2,689 for the first year with payments beginning in January of 2012 with 3% annual increases in rent thereafter. The lease expires December 31, 2106 (**See Note 16**).

On January 8, 2010, GTC entered into an operating lease agreement for a postage scale and meter. The lease requires quarterly payments of \$165 through December 8, 2013.

On October 1, 2008, GTC entered into an operating lease arrangement for the rental of a copier. The lease requires monthly payments of \$230. On December 1, 2008 the lease was amended to add additional scan features. The amended lease requires monthly payments of \$248 through September 30, 2011.

On June 30, 2011, GTC renegotiated its copier lease with R.J. Young. The lease requires monthly payments of \$178 through June 30, 2015.

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

		<u>Operating</u>
Fiscal year ending June 30,	2012	36,289
	2013	36,528
	2014	37,210
	2015	37,922
	2016	<u>18,158</u>
		<u>\$ 166,107</u>

Rent expense for each of the years ended June 30, 2011 and 2010 was \$34,580. These expenses have been reported in various classifications based upon the related functional use.

NOTE 7 - DONATED SERVICES AND EXPENSES

The Organization recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney and trustee services used in the Organization's program services and amounted to \$63,568 and \$36,144 for the years ending June 30, 2011 and 2010, respectively. These amounts are reported as both contribution and grant revenue and in the professional services expense on the Statement of Activities.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 - TRUST ASSETS

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$13,534,787 at June 30, 2011 and \$11,449,925 at June 30, 2010, and are not considered part of the GTC financial statements.

NOTE 9 - CASH FLOW INFORMATION

Interest expense for the years ended June 30, 2011 and 2010 was \$1,160 and \$0 respectively. There were no income taxes paid during the years ended June 30, 2011 or 2010.

NOTE 10 - CONTRACTS

GTC has several contracts to provide limited conservatorship services.

NOTE 11 - 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 the years ending June 30, 2011 and June 30, 2010.

NOTE 12 - RETIREMENT PLAN

GTC adopted a 401(k) retirement plan on January 1, 2002, and amended on January 1, 2010. 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, 2011 and 2010 were \$2,858 and \$2,279 respectively.

NOTE 13 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the statement of financial position for cash and cash equivalents approximate fair values because of the short maturities of these instruments.

Investments as of June 30, 2011 and 2010 are summarized as follows:

	Fair Value		Carrying Value	
	6/30/11	6/30/10	6/30/11	6/30/10
Restricted:				
Preferred Stock	\$ -	\$ 8,000	\$ -	\$ 8,000
Total	\$ -	\$ 8,000	\$ -	\$ 8,000

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 13 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	06/30/11			06/30/10		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Interest & dividends	\$ 140	-	-	\$ 140	-	-
Total Investment Return	\$ 140	-	-	\$ 140	-	-

Fair values of the preferred stock are based on quoted market prices in active markets for identical assets (Level 1).

NOTE 14 – CONCENTRATIONS

GTC received one grant during the year ending June 30, 2010 that comprised 24% of total contributions and grants. The Organization received grant income from three funding sources during the year ending June 30, 2011 that comprised 26% of total contributions and grants.

NOTE 15 – RESTATEMENT OF FINANCIALS AS OF AND FOR THE YEAR ENDING JUNE 30, 2010 AND BEGINNING NET ASSETS AS OF JULY 1, 2009

In prior years, management reviewed all outstanding billable time to establish confidence as to whether the time was collectible. Once collectability was established, the Organization recognized the time balances as accounts receivable. Since inception, GTC only recognized receivables actually expected to be collectible, regardless of whether a fee motion had been filed. During the year ended June 30, 2011, GTC made the decision to only recognize receivables for which a fee motion had been filed with the courts or an order for fees had been entered remaining unpaid, or monthly contract or trust fees accrued if the fees were considered to be collectible without discounting. The change in accounting method results in the following changes:

	As Previously Reported	As Restated	Change
Accounts Receivable	\$ 170,342	\$ 21,230	\$ (149,112)
Unrestricted Net Assets	165,783	22,032	(143,751)
Conservator and Guardianship Fee Income	204,557	190,907	(13,650)

NOTE 16 – SUBSEQUENT EVENT

In November of 2011, the Organization entered into an operating lease for new office space. The lease requires \$2,689 per month for the first year with 3% annual increases thereafter. The lease expires December 31, 2016.

GTC was awarded a United Way grant in July of 2011. The amount of the grant is \$24,325 and is to be paid pro-rata on a monthly basis beginning in July 2011.