

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2019

(With Independent Auditor's Report Thereon)

GUARDIANSHIP AND TRUSTS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2019

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GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash	\$ 66,194	
Accounts receivable	68,358	
Prepaid expenses	4,838	
Total current assets		\$ 139,390

Property and equipment, net		836
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Asset Whose Use is Limited:

Cash	7,800	
Total assets whose use is limited		7,800

Other Assets:

Burial plots	60,695	
Security deposit	2,689	
Total other assets		63,384

Total assets		<u>\$ 211,410</u>
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Current Liabilities:

Accounts payable	\$ 3,750	
Accrued expenses	12,383	
Deferred rent	5,121	
Total current liabilities		\$ 21,254

Net Assets:

Without donor restrictions	182,356	
With donor restrictions	7,800	
Total net assets		<u>190,156</u>

Total liabilities and net assets		<u>\$ 211,410</u>
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GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Institutional service fees	\$ 10,001	\$ -	\$ 10,001
Conservator and guardianship fees, net	225,966	-	225,966
Trustee fees	81,072	-	81,072
Contributions and grants	36,171	38,000	74,171
Other income	1,000	-	1,000
In-kind revenue	19,200	-	19,200
Net assets released from restrictions for specific purpose	39,500	(39,500)	-
Total support and revenues	412,910	(1,500)	411,410
Expenses:			
Program services:			
Fiduciary Activities	307,058	-	307,058
Total program services	307,058	-	307,058
Supporting services:			
Management and General	53,370	-	53,370
Total supporting services	53,370	-	53,370
Total expenses	360,428	-	360,428
Increase/(decrease) in net assets	52,482	(1,500)	50,982
Net assets - beginning of year	129,874	9,300	139,174
Net assets - end of year	\$ 182,356	\$ 7,800	\$ 190,156

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Fiduciary Activities</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 187,429	\$ 33,076	\$ 220,505
Payroll taxes and benefits	22,127	3,905	26,032
Total personnel costs	209,556	36,981	246,537
Bank fees	96	-	96
Depreciation	866	153	1,019
Dues and subscriptions	1,531	-	1,531
Education and training	1,488	-	1,488
Equipment rental and maintenance	1,206	213	1,419
In-kind expense	19,200	-	19,200
Insurance	15,013	2,649	17,662
Interest	487	86	573
Licenses and permits	1,465	259	1,724
Office supplies	5,431	604	6,035
Professional services	1,067	7,500	8,567
Rent	38,068	4,230	42,298
Tech support	1,876	208	2,084
Telephone	4,385	487	4,872
Travel, mileage, and parking	5,323	-	5,323
Total expenses	<u>\$ 307,058</u>	<u>\$ 53,370</u>	<u>\$ 360,428</u>

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:		
Increase in net assets	\$	50,982
Adjustments to reconcile increase in net assets to cash provided by operating activities		
Depreciation	\$	1,019
Changes in:		
Accounts receivable	(29,687)	
Prepaid expenses	(4,838)	
Asset whose use is limited	1,500	
Accounts payable	(1,372)	
Accrued expenses	(828)	
Deferred rent	106	
Total adjustments		(34,100)
Net cash provided by operating activities		16,882
Net increase in cash		16,882
Cash - beginning of year		49,312
Cash - end of year	\$	66,194

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2019, was \$573.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 ("GTC"). We were 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. Our 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 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 our 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:

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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. 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.

Revenue Recognition

We recognize grants and other contributions of cash and other assets as 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, restricted net assets are reclassified to net assets without restrictions 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 contributions without restrictions.

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 is made, discounted by any amounts management believes may be uncollectible. In accordance with nonprofit Generally Accepted Accounting Principles (GAAP) the revenue for conservator and guardianship fees are reported net of these discounts on the Statement of Activities.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2019, 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.

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. The expenses that are allocated include occupancy and utilities which 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 and information technology as well as insurance is allocated based on usage.

Advertising

Advertising is expensed as incurred. For the year ended June 30, 2019, we had no advertising cost.

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 and they are all Level 1 in the fair value hierarchy.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, 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.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

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 for the year ended

Cash	\$ 66,194
Accounts receivable, net	<u>68,358</u>
	<u>\$ 134,552</u>

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations in the amount of \$3,613. Accordingly, these assets have been included in the qualitative information above. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in Note 7.

In the next fiscal year, we plan 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.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - Availability and Liquidity (continued)

This cash is considered readily available. We manage our 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 our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

A summary of the accounts receivable held at June 30, 2019, is as follows:

Trust fees	\$ 8,656
Contract fees	1,252
Guardianship fees	<u>58,450</u>
	<u>\$ 68,358</u>

Discounts are netted against revenue at the time of service based on historical experience and our evaluation of accounts.

NOTE 4 - Property and Equipment, net

Property and equipment, net consisted of the following at June 30, 2019:

Equipment	\$ 15,795
Furniture	<u>10,467</u>
	26,262
Less: accumulated depreciation	<u>(25,426)</u>
	<u>\$ 836</u>

NOTE 5 - 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 was established by the cemetery where they are located when contributed. As of June 30, 2019, the carrying value of the plots were \$60,695. We are not aware of any effects on the value of the plots and we believe they are not considered to be impaired.

NOTE 6 - Accrued Expenses

At June 30, 2019, expenses were accrued for the following:

Accrued vacation	\$ 7,108
Accrued wages payable	<u>5,275</u>
	<u>\$ 12,383</u>

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - Net Assets

At June 30, 2019, we held assets whose use was designated by the board for the following purpose:

PH Fund	\$ 3,613
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At June 30, 2019, we held assets whose use was restricted by donors or grantors as follows:

Grant Cash – Minimum Balance	\$ 50
GTC Grant Fund	<u>7,750</u>
	<u>\$ 7,800</u>

NOTE 8 - Leases

We lease certain equipment under leases classified as operating leases. Total rent expense under the leases for the year ended June 30, 2019, was \$42,298.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2019:

Year Ending June 30,

2020	\$ 44,840
2021	44,840
2022	<u>20,891</u>
	<u>\$ 110,571</u>

NOTE 9 - 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, and 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, 2019, were \$5,654.

NOTE 10 - 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 \$19,200 for the year ended June 30, 2019. These amounts are reported as in-kind revenue on the Statement of Activities and in-kind expense on the Statement of Functional Expenses.

NOTE 11 - Related Party Management of Fiduciary Accounts

We serve 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, we are subject to regular examination of the Tennessee Department of Financial Institutions in regard to our management of fiduciary accounts.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - Related Party Management of Fiduciary Accounts (continued)

When serving as a court appointed fiduciary or guardian, we are subject to continued court supervision of the management and investment of client's assets. This includes the filing of an annual accounting unless specifically waived by the court. Assets held in a fiduciary capacity totaled \$19,218,761 for the year ending June 30, 2019. These amounts are not considered part of our financial statements and are not included in this audit of our accounts.

NOTE 12 - Concentration

At June 30, 2019, 68% of all receivables were due from three clients.

NOTE 13 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 14 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2019. As of January 3, 2020, 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.

JUNE 30, 2019

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ☐ do ☒ do not cause the financial statements taken as a whole to be materially misstated.