

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2006 AND 2005**

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, 2006 and 2005, 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 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 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 audit provides 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, 2006 and 2005, 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

September 27, 2005

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 57,146	\$ 88,056
Board Discretionary Account	979	1,271
Accounts receivable	120,039	156,536
Prepaid expenses	4,365	2,772
Temporarily Restricted Asset	10,440	10,440
TOTAL CURRENT ASSETS	<u>192,969</u>	<u>259,076</u>
PROPERTY AND EQUIPMENT – NET	<u>9,048</u>	<u>13,118</u>
OTHER ASSETS		
Investment in restricted stock	<u>8,000</u>	<u>8,000</u>
TOTAL ASSETS	<u><u>\$210,017</u></u>	<u><u>\$280,193</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	141	\$ 0
Wages payable	5,997	6,079
Accrued payroll taxes	755	635
Accrued vacation	3,876	2,220
TOTAL CURRENT LIABILITIES	<u>10,769</u>	<u>8,934</u>
NET ASSETS		
Unrestricted	179,279	250,997
Temporarily restricted	11,969	12,262
Permanently restricted	8,000	8,000
TOTAL NET ASSETS	<u>199,248</u>	<u>271,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$210,017</u></u>	<u><u>\$280,193</u></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, 2006 AND 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Institutional service fees	\$ 6,966	\$ -	\$ -	\$ 6,966	\$ 5,778	\$ -	\$ -	\$ 5,778
Conservator and guardianship fees	160,377	-	-	160,377	187,964	-	-	187,964
Attorney-in-fact fees	3,453	-	-	3,453	6,318	-	-	6,318
Trustee fees	60,763	-	-	60,763	55,701	-	-	55,701
Contributions & Grants	29,653	53,651	-	83,304	54,290	58,664	-	112,954
Investment income	1,616	-	-	1,616	942	-	-	942
Net assets released from restrictions	53,944	(53,944)	-	-	63,400	(63,400)	-	-
TOTAL REVENUE AND OTHER SUPPORT	316,772	(293)		316,479	374,393	(4,736)		369,657
EXPENSES								
Program services								
Bank charges	155	-	-	155	32	-	-	32
Client expenses	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	-
Depreciation	4,310	-	-	4,310	4,431	-	-	4,431
Dues & subscriptions	619	-	-	619	1,430	-	-	1,430
Education & training	2,873	-	-	2,873	1,066	-	-	1,066
Equipment rental & maintenance	2,422	-	-	2,422	2,713	-	-	2,713
Employee benefits	19,270	-	-	19,270	20,441	-	-	20,441
Examination fees – TDFI	800	-	-	800	500	-	-	500
Insurance	16,639	-	-	16,639	9,954	-	-	9,954
Licenses & permits	1,031	-	-	1,031	732	-	-	732
Miscellaneous	484	-	-	484	466	-	-	466
Office expense	4,464	-	-	4,464	4,835	-	-	4,835
Payroll taxes	14,361	-	-	14,361	15,940	-	-	15,940
Professional services	26,798	-	-	26,798	35,828	-	-	35,828
Rent	29,958	-	-	29,958	30,524	-	-	30,524
Salaries	183,152	-	-	183,152	194,349	-	-	194,349
Taxes - Other	-	-	-	-	-	-	-	-
Telephone	4,332	-	-	4,332	3,979	-	-	3,979
Travel/mileage/parking	8,124	-	-	8,124	9,892	-	-	9,892
Total program services	319,792	-	-	319,792	337,112	-	-	337,112
Support services								
Annual Dinner	616	-	-	616	-	-	-	-
Contract services	-	-	-	-	-	-	-	-
Depreciation	760	-	-	760	782	-	-	782
Dues & subscriptions	-	-	-	-	-	-	-	-
Employee benefits	4,818	-	-	4,818	5,110	-	-	5,110
Equipment rental & maintenance	427	-	-	427	479	-	-	479
Examination fees – TDFI	200	-	-	200	500	-	-	500
Insurance	2,936	-	-	2,936	1,757	-	-	1,757
Licenses & fees	115	-	-	115	183	-	-	183
Miscellaneous	85	-	-	85	82	-	-	82
Office expense	626	-	-	626	726	-	-	726
Payroll taxes	2,847	-	-	2,847	3,985	-	-	3,985
Professional fees	12,287	-	-	12,287	8,957	-	-	8,957
Rent	5,287	-	-	5,287	5,387	-	-	5,387
Salaries	36,310	-	-	36,310	48,587	-	-	48,587
Taxes - Other	-	-	-	-	-	-	-	-
Telephone	481	-	-	481	442	-	-	442
Travel/mileage/parking	903	-	-	903	2,472	-	-	2,472
Total support services	68,698	-	-	68,698	79,449	-	-	79,449
Fund raising								
TOTAL EXPENSES	388,490	-	-	388,490	416,561	-	-	416,561
CHANGE IN NET ASSETS	(71,718)	(293)	-	(72,011)	(42,168)	(4,736)	-	(46,904)
NET ASSETS:								
BEGINNING OF YEAR	250,997	12,262	8,000	271,259	293,165	16,998	8,000	318,163
END OF YEAR	179,279	11,969	8,000	199,248	\$ 250,997	\$ 12,262	\$ 8,000	\$ 271,259

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

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets		
	(\$72,011)	(\$46,904)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	5,070	5,213
(Increase) decrease in operating assets		
Accounts receivable	36,498	(1,630)
Prepaid expense	(1,593)	20,185
Board Discretionary Account	292	
Temporarily restricted asset	-	-
Increase (decrease) in operating liabilities		
Accounts payable	141	(310)
Accrued wages	(82)	334
Accrued vacation	1,656	(1863)
Accrued payroll taxes	120	183
	<u> </u>	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(29,909)</u>	<u>(24,792)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(1,001)</u>	<u> </u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,001)</u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease obligation	<u> -</u>	<u> -</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u> -</u>	<u> -</u>
NET (DECREASE)/INCREASE IN CASH	(30,910)	(24,792)
BEGINNING CASH	<u>88,056</u>	<u>112,848</u>
ENDING CASH	<u>\$ 57,146</u>	<u>\$ 88,056</u>

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

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

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 generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. 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 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, 2006 AND 2005

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 Services and Facilities

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.

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, 2006 AND 2005

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 a United Way grant. 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, 2006 and 2005 was \$979 and \$1,272 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. One funeral plot was released during the year ended June 30, 2004 and the cost is included in client expenses on the statements of activities. The balance of plots available as of June 30, 2006 and 2005 was \$10,440.

NOTE 5 - INVESTMENTS

Investments for the years ended June 30, 2006 and 2005 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 \$190 for the year ended June 30, 2006 and \$260 for the year ended June 30, 2005 and are included in unrestricted investment income in the statements of activities.

GUARDIANSHIP AND TRUSTS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Office furniture & equipment	\$ 58,158	\$ 57,157
Accumulated depreciation	<u>(49,111)</u>	<u>(44,039)</u>
	<u>\$ 9,048</u>	<u>\$ 13,118</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 5th day of the month. The lease expires December 31, 2010.

On May 29, 2003, GTC entered into an operating lease agreement for a postage scale and meter. The lease requires quarterly payments of \$306 through October 25, 2006.

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,	
2007	\$ 37,754
2008	36,836
2009	35,896
2010	34,580
2011	<u>17,290</u>
	<u>\$ 162,356</u>

Rent expense for each of the years ended June 30, 2006 and 2005 was \$35,245 and \$35,910 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, 2006 AND 2005

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 In-kind donations on the statement of activities and amounted to \$8,752 in June 30, 2006 and \$14,476 in June 30, 2005.

NOTE 8 - TRUST ASSETS

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$11,203,919 at June 30, 2006 and \$12,317,494 at June 30, 2005 and are not considered part of the GTC financial statements.

NOTE 9 - CASH FLOW INFORMATION

There were no income taxes paid.

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, 2006 and 2005.

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, 2006 AND 2005

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.