

Guardianship and Trusts Corporation

Financial Statements
For the Year Ended June 30, 2021

Guardianship and Trusts Corporation
Financial Statements
For the Year Ended June 30, 2021

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Independent Auditor's Report

Board of Directors
Guardianship and Trusts Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Guardianship and Trusts Corporation (the Organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee
February 16, 2022

Guardianship and Trusts Corporation
Statement of Financial Position
June 30, 2021

Assets

Current assets

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 366,195 |
| Accounts receivable | 34,211 |
| Pledge receivable | <u>150,000</u> |
| Total current assets | 550,406 |

| | |
|-----------------------------|-----|
| Property and equipment, net | 425 |
|-----------------------------|-----|

Other assets

| | |
|------------------|--------------|
| Burial plots | 62,460 |
| Security deposit | <u>2,689</u> |

| | |
|--------------|-------------------|
| Total assets | \$ 615,980 |
|--------------|-------------------|

Liabilities and Net Assets

Current liabilities

| | |
|---------------------------|--------------|
| Accrued expenses | \$ 15,508 |
| PPP loan | 45,000 |
| Deferred rent | <u>1,543</u> |
| Total current liabilities | 62,051 |

Net assets

| | |
|----------------------------|--------------|
| Without donor restrictions | 550,852 |
| With donor restrictions | <u>3,077</u> |
| Total net assets | 553,929 |

| | |
|----------------------------------|-------------------|
| Total liabilities and net assets | \$ 615,980 |
|----------------------------------|-------------------|

Guardianship and Trusts Corporation
Statement of Activities
For the Year Ended June 30, 2021

| | Without donor restrictions | With donor restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Public Support and Revenues | | | |
| Institutional service fees | \$ 22,318 | \$ - | \$ 22,318 |
| Conservator and guardianship fees, net | 207,513 | - | 207,513 |
| Trustee fees | 54,167 | - | 54,167 |
| Contributions and grants | 502,771 | 1,675 | 504,446 |
| Other income | 1,774 | - | 1,774 |
| In-kind revenue | 2,286 | - | 2,286 |
| Net assets released from restrictions | <u>3,226</u> | <u>(3,226)</u> | <u>-</u> |
| Total public support and revenues | 794,055 | (1,551) | 792,504 |
| Expenses | | | |
| Program services | 308,268 | - | 308,268 |
| Management and general | <u>55,052</u> | <u>-</u> | <u>55,052</u> |
| Total expenses | 363,320 | - | 363,320 |
| Change in net assets | 430,735 | (1,551) | 429,184 |
| Net assets, beginning of year | <u>120,117</u> | <u>4,628</u> | <u>124,745</u> |
| Net assets, end of year | \$ 550,852 | \$ 3,077 | \$ 553,929 |

Guardianship and Trusts Corporation

Statement of Functional Expenses

For the Year Ended June 30, 2021

| | Program services | Management and general | Total |
|--|-----------------------------|-----------------------------------|-------------------|
| Salaries | \$ 207,811 | \$ 36,673 | \$ 244,484 |
| Payroll taxes and benefits | <u>21,092</u> | <u>3,722</u> | <u>24,814</u> |
| | 228,903 | 40,395 | 269,298 |
| Depreciation | 109 | 19 | 128 |
| Dues and subscriptions | 3,058 | - | 3,058 |
| Education and training | 508 | - | 508 |
| Equipment maintenance and tech support | 1,433 | 253 | 1,686 |
| In-kind expense | 1,943 | 343 | 2,286 |
| Insurance | 15,803 | 2,789 | 18,592 |
| Interest | 462 | 82 | 544 |
| Licenses and permits | 1,424 | 251 | 1,675 |
| Office supplies | 3,430 | 381 | 3,811 |
| Professional services | 8,732 | 5,821 | 14,553 |
| Rent | 40,169 | 4,463 | 44,632 |
| Telephone | <u>2,294</u> | <u>255</u> | <u>2,549</u> |
| | \$ 308,268 | \$ 55,052 | \$ 363,320 |

Guardianship and Trusts Corporation

Statement of Cash Flows For the Year Ended June 30, 2021

| | |
|--|-------------------|
| Cash and cash equivalents, beginning of year | \$ 81,580 |
| Cash flows from operating activities | |
| Change in net assets | 429,184 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 128 |
| Forgiveness of PPP loan | (38,600) |
| Change in: | |
| Accounts receivable | 4,908 |
| Pledge receivable | (150,000) |
| Prepaid expenses | (1,765) |
| Accounts payable | (3,750) |
| Accrued expenses | 1,943 |
| Deferred rent | (2,433) |
| Net cash provided (used) by operating activities | <u>239,615</u> |
| Cash flows from financing activities | |
| Proceeds from PPP loan | 45,000 |
| Net change in cash and cash equivalents | <u>284,615</u> |
| Cash and cash equivalents, end of year | \$ 366,195 |
| Supplemental disclosures of cash flow information | |
| Interest paid | \$ 544 |

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Guardianship and Trusts Corporation (GTC or Organization) was incorporated under the laws of the State of Tennessee as a nonprofit organization in December 1980. In March 1983, the Organization was issued a Certificate of Authority by the Tennessee Department of Banking to provide limited trust services. The Organization was formed to provide financial, social advisory, and other fiduciary services to persons with intellectual disabilities. The Organization's 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:

Program services – the Organization provides 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 their clients.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, their 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.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and granters. 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at their net realizable value. It is the opinion of management that all accounts receivable at June 30, 2021 and 2020, are fully collectible.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Pledge Receivable

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Management considers all pledges receivable to give to be fully collectible at June 30, 2021. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying statement of financial position.

Property and Equipment and Depreciation

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. The Organization's 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, 2021, no assets were considered to be impaired.

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.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization elected to treat the PPP loan as debt.

Income Tax Status

GTC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements. GTC does not believe there are any uncertain tax positions. Further, GTC does not believe that they have any unrelated business income, which would be subject to federal taxes.

Advertising

Advertising is expensed as incurred.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

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, information technology and insurance are allocated based on usage.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

On July 1, 2020, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, Accounting Standard Codification (ASC) 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

On July 1, 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

The Organization recognizes 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 US GAAP, the revenues for conservator and guardianship fees are reported net of these discounts on the statement of activities.

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.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for general operations use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

Note 2. Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following as of June 30, 2021:

| | |
|--|-------------------|
| Financial assets | |
| Cash | \$ 366,195 |
| Accounts receivable | 34,211 |
| Pledges receivable | <u>150,000</u> |
| Total financial assets at year-end | 550,406 |
| Less amounts not available to be used within one year | |
| Net assets with donor restrictions | 3,077 |
| Board-designated net assets | <u>7,736</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 539,593 |

In the next fiscal year, the Organization plans 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.

This cash is considered readily available. The Organization manages its 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 its analysis of liquid assets reveals inadequate funds for near-term operating needs, the Organization will immediately reduce spending of program and management and general expenditures.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 3. Accounts Receivable

A summary of the accounts receivable held at June 30, 2021 is as follows:

| | |
|-----------------------------|------------------|
| Trust fees | \$ 6,705 |
| Contract and custodian fees | 5,747 |
| Contributions | 1,400 |
| Guardianship fees | <u>20,359</u> |
| | \$ 34,211 |

Discounts are netted against revenues at the time of service based on historical experience and the Organization's evaluation of accounts.

Note 4. Pledge Receivable

Pledge receivable consists of one unconditional promise to give in the amount of \$150,000 and is expected to be collected within the next year.

Note 5. Property and Equipment

Property and equipment as of June 30, 2021 consists of the following:

| | |
|--------------------------------|-----------------|
| Equipment | \$ 12,380 |
| Furniture | <u>11,368</u> |
| | 23,748 |
| Less: accumulated depreciation | <u>(23,323)</u> |
| Property and equipment, net | \$ 425 |

Note 6. Burial Plots

The Organization owns 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 re-measured at fair value annually in accordance with US GAAP. The value of the plots was established by the cemetery where they are located when contributed. As of June 30, 2021, the carrying value of the plots is \$62,460. The Organization is not aware of any effects on the value of the plots and believes they are not considered to be impaired.

Note 7. Accrued Expenses

Accrued expenses consist of the following as of June 30, 2021:

| | |
|------------------|------------------|
| Accrued vacation | \$ 5,154 |
| Accrued wages | <u>10,354</u> |
| | \$ 15,508 |

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 8. PPP Loan

On May 8, 2020 and February 4, 2021, the Organization received draws on a loan in the amounts of \$38,600 and \$45,000, respectively, in accordance with the PPP section of the CARES Act. The Organization has elected to treat the PPP loan as debt in the financial statements. During the year ended June 30, 2021, the Organization received notification the first draw was forgiven in full. Subsequent to June 30, 2021, the Organization received notification the second draw was forgiven in full. The Organization has recognized contribution income in the amount of \$38,600 for the year ended June 30, 2021 relating to its PPP loan.

Note 9. Net Assets

At June 30, 2021, the Organization held assets whose use was restricted by donors or granters as follows:

| | | |
|-----------------------|----|-------|
| Pete Halverstadt Fund | \$ | 3,077 |
|-----------------------|----|-------|

At June 30, 2021, the Organization held assets whose use was designated by the board for the following purpose:

| | | |
|-----------------------------|----|--------------|
| GTC Grant Fund | \$ | 7,686 |
| Grant cash, minimum balance | | <u>50</u> |
| | \$ | 7,736 |

Note 10. Leases

The Organization leases certain equipment under leases classified as operating leases from 2022 to 2026. Total rent expense under the leases for the year ended June 30, 2021, was \$44,632.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2021:

| Year ended June 30, | |
|------------------------|-------------------|
| 2022 | \$ 46,133 |
| 2023 | 44,546 |
| 2024 | 43,705 |
| 2025 | 30,056 |
| 2026 | <u>909</u> |
| Total | \$ 165,349 |

Note 11. Retirement Plan

The Organization adopted a 401(k) retirement plan on January 1, 2002. The plan allows eligible employees to defer up to 25% of their annual compensation, pursuant to Section 401(k) of the IRC. The Organization matches 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. Once the employee has completed two years of service, all matching contributions are 100% vested. Employer match expenses incurred by the Organization during the year ended June 30, 2021, were \$2,719.

Guardianship and Trusts Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 12. Donated Services

The Organization recognize contribution revenues 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 \$2,286 for the year ended June 30, 2021. These amounts are reported as in-kind revenue on the statement of activities and in-kind expense on the statement of functional expenses.

Note 13. Related Party Management of Fiduciary Accounts

The Organization serves 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, the Organization is subject to regular examination of the Tennessee Department of Financial Institutions in regard to the Organization's management of fiduciary accounts.

When serving as a court appointed fiduciary or guardian, the Organization is subject to continued court supervision of the management and investment of client's assets. This includes the filing of an annual accounting report unless specifically waived by the court. Assets held in a fiduciary capacity totaled \$21,649,943 for the year ended June 30, 2021. These amounts are not considered part of the Organization's financial statements and are not included in the annual audit of the Organization's accounts.

The Organization contracts with one of its board members to provide IT services. For the year ended June 30, 2021, the Organization paid \$1,686 to the board member for these services.

Note 14. Concentration

For the year ended June 30, 2021, 51% of revenue related to one contributor.

Note 15. Subsequent Events

Management has evaluated subsequent events through February 16, 2022, the date on which the financial statements were available for issuance.



February 16, 2022

Board of Directors
Guardianship and Trusts Corporation
Nashville, Tennessee

This letter is to inform the Board of Directors of Guardianship and Trusts Corporation about significant matters related to the conduct of our audit as of and for the year ended June 30 2021, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated December 16, 2021. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have communicated with you during planning regarding the planned scope and timing of our audit and identified significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

In our meeting with you, we will discuss our views about the qualitative aspects of Guardianship and Trusts Corporation's significant accounting practices, including significant accounting policies, significant unusual transactions, accounting estimates and financial statement disclosures.

Audit Adjustments and Uncorrected Misstatements

Management corrected the following material misstatements that were identified as a result of our audit procedures:

Depreciation on fixed assets \$128, deferred rent expense \$2,433, in-kind donation of server \$700, reverse paid payable that cleared the bank prior to June 30, 2021 \$1,000, to take the first PPP loan into income that was forgiven \$38,600, adjust receivables to amounts collected \$39,652, to record pledge receivable and other receivables \$158,844, to record the disposal/donation of fixed asset items \$2,514 and to record donated services for legal and trustee services \$1,586.

Management Representations

Attached is a copy of the draft management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Guardianship and Trusts Corporation.

This report is intended solely for the information and use of the Board of Directors and is not intended to be, and should not be, used by anyone other than this specified party.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee