



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

May 26, 2015

To the Board of Directors
Guardianship and Trusts Corporation

We are engaged to audit the financial statements of Guardianship and Trusts Corporation for the year ended June 30, 2015. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 26, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately November 16, 2015, and issue our report on approximately a few weeks after. Lisa Patterson, CPA, CFE, CVA, is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Directors and management of Guardianship and Trusts Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hardee & Ballentine

2015
Financial Statements
With
Auditor's Letters

GUARDIANSHIP AND TRUSTS CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2015

(With Independent Auditor's Report Thereon)

GUARDIANSHIP AND TRUSTS CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2015

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Guardianship and Trusts Corporation

We have audited the accompanying financial statements of Guardianship and Trusts Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and 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, 2015, 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.

Patterson Hardee & Ballentine

December 18, 2015, except for Notes 1 (Conservator and Guardianship Fees), 2, and 13, as to which the date is February 13, 2016.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets:

Cash	\$ 14,760	
Accounts receivable	26,200	
Prepaid expenses	7,995	
Total current assets		\$ 48,955

Property and Equipment, net		8,881
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Assets Whose Use is Limited:

Cash	6,595	
Total assets whose use is limited		6,595

Other Assets:

Burial Plots	4,920	
Security deposit	2,689	
Total other assets		7,609

Total assets		<u>\$ 72,040</u>
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Current Liabilities:

Accrued expenses	\$ 8,915	
Deferred rent	4,211	
Total current liabilities		<u>\$ 13,126</u>

Net Assets:

Unrestricted	48,670	
Unrestricted - board designated	3,649	
Total unrestricted net assets		52,319

Temporarily restricted	6,595	
Total restricted net assets		6,595

Total net assets		<u>58,914</u>
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Total liabilities and net assets		<u>\$ 72,040</u>
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GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Institutional service fees	\$ 28,435	\$ -	\$ -	\$ 28,435
Conservator and guardianship fees	180,994	-	-	180,994
Trustee fees	52,093	-	-	52,093
Contributions and grants	39,551	50,000	-	89,551
In-kind revenue	15,782	-	-	15,782
Net assets released from restrictions	46,015	(46,015)	-	-
Total support and revenues	362,870	3,985	-	366,855
Expenses:				
Program services:				
Fiduciary activities	288,207	-	-	288,207
Total program services	288,207	-	-	288,207
Supporting services:				
Management and general	61,235	-	-	61,235
Total supporting services	61,235	-	-	61,235
Total expenses	349,442	-	-	349,442
Increase in net assets	13,428	3,985	-	17,413
Net assets - beginning of year	38,891	2,610	-	41,501
Net assets - end of year	\$ 52,319	\$ 6,595	\$ -	\$ 58,914

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 174,796	\$ 38,370	\$ 213,166
Payroll taxes and benefits	<u>30,863</u>	<u>6,321</u>	<u>37,184</u>
Total personnel costs	205,659	44,691	250,350
Bank fees	38	9	47
Depreciation	2,326	775	3,101
Dues and subscriptions	725	81	806
In-kind expense	14,204	1,578	15,782
Insurance	13,277	4,426	17,703
Interest	816	204	1,020
Licenses and permits	1,819	455	2,274
Office supplies	4,245	319	4,564
Professional services	6,951	1,132	8,083
Rent	27,592	6,898	34,490
Tech support	1,058	-	1,058
Telephone	2,850	317	3,167
Travel, mileage, and parking	<u>6,647</u>	<u>350</u>	<u>6,997</u>
Total expenses	<u>\$ 288,207</u>	<u>\$ 61,235</u>	<u>\$ 349,442</u>

See accompanying notes to the financial statements.

GUARDIANSHIP AND TRUSTS CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:

Increase in net assets	\$	17,413
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Adjustments to reconcile increase in net assets

Accounts receivable

Depreciation	\$	3,101
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Allowance for doubtful accounts		17,433
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Changes in:

Accounts receivable		(15,074)
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Prepaid expenses		(6,995)
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Asset whose use is limited		(3,985)
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Accounts payable		(2,510)
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Accrued expenses		(6,613)
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Deferred rent		(1,589)
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Total adjustments		(16,232)
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Net cash provided by operating activities		1,181
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Cash Flows from Investing Activities:

Purchase of property and equipment		(2,513)
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Net cash used in investing activities		(2,513)
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Net decrease in cash		(1,332)
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Cash - beginning of year		16,092
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Cash - end of year	\$	14,760
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SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2015, was \$1,020.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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. Their 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 are without family members or other 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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. As of June 30, 2015, there were no permanently restricted net assets.

Reclassifications

We reclassified cash to asset whose use is limited on the statement of cash flows to reflect the correct change in restricted cash.

Revenue Recognition

We recognize grants and other contributions of cash and other assets 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 which are met in the same year in which the contributions are received are classified as unrestricted contributions.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2015, 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. We are not subject to examination by U.S. federal or state taxing authorities for years before 2012.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred.

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.

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2015, 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.

NOTE 2 - Accounts Receivable

A summary of the accounts receivable held at June 30, 2015, is as follows:

Trust fees	\$ 7,207
Contract fees	4,279
Guardianship fees	<u>14,714</u>
	<u>\$ 26,200</u>

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

NOTE 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2015:

Equipment	\$ 17,077
Furniture	<u>10,468</u>
	27,545
Less: accumulated depreciation	<u>(18,664)</u>
	<u>\$ 8,881</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – 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 were established by the cemetery where they are located when contributed. As of June 30, 2015, the carrying value of the plots were \$4,920. We are not aware of any effects on the value of the plots and we believe they are not considered to be impaired.

NOTE 5 - Accrued Expenses

At June 30, 2015, expenses were accrued for the following:

Accrued vacation	\$ 5,301
Accrued wages payable	<u>3,614</u>
	<u>\$ 8,915</u>

NOTE 6 – Board-Designated Net Assets

At June 30, 2015, we held assets whose use was designated by the board for the following purpose:

PH Fund	<u>\$ 3,649</u>
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NOTE 7 - Temporarily Restricted Net Assets

At June 30, 2015, we held assets whose use was temporarily restricted by donors or grantors as follows:

Grant Cash – Minimum Balance	\$ 50
West End Home	<u>6,545</u>
	<u>\$ 6,595</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, 2015, was \$34,490.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2015:

Year Ending June 30,

2016	\$ 39,505
2017	20,985
2018	1,937
2019	968
2020	<u>-</u>
	<u>\$ 63,395</u>

GUARDIANSHIP AND TRUSTS ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, were \$4,785.

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 \$15,783 as of June 30, 2015. 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. When serving as a court appointed fiduciary or guardian, we are subject to continued court supervision of the management and investment of ward's assets. This includes the filing of an annual accounting unless specifically waived by the court. Assets held in a fiduciary capacity totaled \$15,716,928 for the year ending June 30, 2015. 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, 2015, 41% of all receivables were due from two clients.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2015. As of February 13, 2016 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.

SECTION 1



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 18, 2015

To the Board of Directors
Guardianship and Trusts Corporation

We have audited the financial statements of Guardianship and Trusts Corporation for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Guardianship and Trusts Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allocations of functional expenses between program and management and general which are based on management's judgment relating to the underlying invoices to support the expense. We evaluated the key factors and assumptions used to develop the allocation of the functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts which is based on management's judgment relating to the client's ability to pay. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the allowance for doubtful accounts in Note 2 to the financial statements in relation for the ability to collect receivables due from clients.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: accounts receivable, allowance for doubtful accounts, fixed assets, prepaid expenses, accrued expenses, net assets, depreciation expense, and in-kind revenue and expense.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Guardianship and Trusts Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Handley & Ballentine

SECTION 2



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

To the Board of Directors
Guardianship and Trusts Corporation

In planning and performing our audit of the financial statements of Guardianship and Trusts Corporation as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Guardianship and Trusts Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Guardianship and Trusts Corporation's internal control to be significant deficiencies:

During the audit, we noted the accounting records currently reflect the amount of cash held by the organization. In order to minimize the time needed to perform the audit, we recommend audit entries be recorded in the accounting software, along with accruals for accounts receivable, accounts payable, fixed assets, wages payable, and other accruals as needed. This will allow for more accurate reporting when reporting to the Board and for making strategic decisions.

We noted bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. One of the most critical areas of separation is cash, where we noted that the Executive Director reconciles the monthly bank statement, approves the monthly bank statement, has authority to transfer money between accounts, has the authority to sign checks, is responsible for payroll and approves raises. The result is the danger that intentional or unintentional errors could be made and not detected. In order to improve the segregation of duties, we recommend the Treasurer or other board member review the bank statements, cancelled checks, and bank reconciliations on a monthly basis. Unusual items should be investigated if any are found. Furthermore, we recommend the Treasurer or board member document his review by initialing on the monthly bank statement. These simple steps would not require the addition of any new employees.

Finally as a component of the audit process, we assisted the accounting department with the basic year-end bookkeeping and accounting processes that are necessary to prepare the books for audit. While we understand and agree that in some organizations, a Controller may not be necessary, we feel the needs of the Organization are such that a Controller would be a great benefit at least on a part-time basis. Matters such as internal control, system processes, financial analytics and budgeting are areas we feel could be improved if the services of a Controller were available. We recommend that the Organization consider consulting with a Controller, at least for the purposes of year end accounting. The availability of a Controller should enable the Organization to have efficient and effective processes for the accounting that produce timely and accurate financial reports for use in decision-making.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Patterson Handley & Ballentine

December 18, 2015

SECTION 3



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 18, 2015

To the Board of Directors of
Guardianship and Trusts Corporation

In planning and performing our audit of your financial statements for the year ended June 30, 2015, we became aware of several matters that are opportunities for strengthening operating effectiveness for the Organization. In addition, we noted certain matters involving current accounting issues and other matters, both of which are presented here for your consideration.

This letter does not affect our report dated December 18, 2015, on the financial statements of Guardianship and Trusts Corporation. We will review the status of these comments during our next engagement. Our comments and recommendations are intended to improve your understanding of current events which could be affecting your Organization's accounting policies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Aging of Receivables

We recommend that an aged trial balance of accounts receivable be prepared each month. Any balance over ninety days old should be listed on a supplementary schedule with a complete explanation of the reason why the balance has not been collected. In this way, balances which are past due can be monitored and perhaps collected before age makes collection impossible.

In order to keep track of the aged receivables, we recommend updating the accounting software, such as QuickBooks, which provides a user friendly aging report to see how old receivables are.

Functional Allocation of Expenses

The Statement of Functional Expenses currently is being allocated based on allocations provided by management. We recommend the Board be aware of how expenses are currently being allocated and to determine if any allocation changes are considered necessary.

In-Kind Services

We recommend a schedule of in-kind services be obtained in preparation for the audit to ensure timely reporting. The schedule should include the estimated fair market value for the services provided by the one performing the services. This helps to ensure the value of the services is properly reflected in the financial statements.

Accounting System

We recommend considering another accounting software, such as QuickBooks, rather than Quicken, in order to produce effective monthly reports and to improve the efficiency and effectiveness of the accounting function within the organization. QuickBooks is a low-cost accounting software that is user-friendly and can be accessed by multiple users.

As always, thank you for your business, and please call us with any questions!

Patterson Hardee & Ballentine

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