

**GUARDIANSHIP AND TRUSTS CORPORATION**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2010 AND 2009**

# GUARDIANSHIP AND TRUSTS CORPORATION

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements.....	5 - 10



## (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, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Guardianship and Trusts Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Guardianship and Trusts Corporation** as of June 30, 2010 and 2009, 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*

November 5, 2010

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 11,202	\$ 25,230
Board Discretionary Account	-	482
Accounts receivable	170,342	164,149
Prepaid expenses	-	1,566
<b>TOTAL CURRENT ASSETS</b>	<u>181,544</u>	<u>191,427</u>
<b>PROPERTY AND EQUIPMENT – NET</b>	<u>2,738</u>	<u>3,681</u>
<b>OTHER ASSETS</b>		
Security deposit	2,772	2,772
Temporarily Restricted Asset	4,920	6,150
Investment in restricted stock	8,000	8,000
	<u>15,692</u>	<u>16,922</u>
<b>TOTAL ASSETS</b>	<u>\$ 199,974</u>	<u>\$ 212,030</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 761	\$ 295
Wages payable	7,437	7,451
Accrued payroll taxes	1,442	913
Accrued vacation	11,407	4,479
Accrued employer contribution	123	179
<b>TOTAL CURRENT LIABILITIES</b>	<u>21,170</u>	<u>13,317</u>
<b>NET ASSETS</b>		
Unrestricted	165,783	164,370
Temporarily restricted	5,020	26,343
Permanently restricted	8,000	8,000
<b>TOTAL NET ASSETS</b>	<u>178,803</u>	<u>198,713</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 199,974</u>	<u>\$ 212,030</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, 2010 AND 2009**

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>								
Institutional service fees	\$ 8,799	\$ -	\$ -	\$ 8,799	\$ 8,207	\$ -	\$ -	\$ 8,207
Conservator and guardianship fees	204,557	-	-	204,557	114,555	-	-	114,555
Trustee fees	50,303	-	-	50,303	43,719	-	-	43,719
Contributions & Grants	79,734	24,670	-	104,404	121,426	49,828	-	171,254
Investment income	142	-	-	142	474	-	-	474
Net assets released from restrictions	45,993	(45,993)	-	-	44,905	(44,905)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>389,528</b>	<b>(21,323)</b>	<b>-</b>	<b>368,205</b>	<b>333,286</b>	<b>4,923</b>	<b>-</b>	<b>338,209</b>
<b>EXPENSES</b>								
Program services								
Bank charges	162	-	-	162	191	-	-	191
Client expenses	14	-	-	14	163	-	-	163
Client expenses -- funeral plots	1,230	-	-	1,230	-	-	-	-
Depreciation	707	-	-	707	784	-	-	784
Dues & subscriptions	630	-	-	630	664	-	-	664
Education & training	669	-	-	669	1,725	-	-	1,725
Equipment rental & maintenance	3,635	-	-	3,635	3,611	-	-	3,611
Employee benefits	26,313	-	-	26,313	15,594	-	-	15,594
Insurance	14,635	-	-	14,635	13,516	-	-	13,516
Licenses & permits	395	-	-	395	1,066	-	-	1,066
Miscellaneous	237	-	-	237	619	-	-	619
Office expense	3,548	-	-	3,548	5,890	-	-	5,890
Payroll taxes	13,809	-	-	13,809	12,328	-	-	12,328
Professional services	44,604	-	-	44,604	70,201	-	-	70,201
Rent	27,664	-	-	27,664	27,664	-	-	27,664
Salaries	154,032	-	-	154,032	140,840	-	-	140,840
Tech support	35	-	-	35	779	-	-	779
Telephone	3,802	-	-	3,802	3,086	-	-	3,086
Travel/mileage/parking	9,879	-	-	9,879	6,801	-	-	6,801
Total program services	306,000	-	-	306,000	305,522	-	-	305,522
Support services								
Bank Charges	54	-	-	54	64	-	-	64
Depreciation	236	-	-	236	261	-	-	261
Dues & subscriptions	70	-	-	70	74	-	-	74
Employee benefits	6,578	-	-	6,578	3,898	-	-	3,898
Equipment rental & maintenance	909	-	-	909	903	-	-	903
Insurance	4,878	-	-	4,878	4,505	-	-	4,505
Licenses & permits	395	-	-	395	1,066	-	-	1,066
Miscellaneous	59	-	-	59	155	-	-	155
Office expense	347	-	-	347	738	-	-	738
Payroll taxes	4,671	-	-	4,671	2,481	-	-	2,481
Professional fees	1,481	-	-	1,481	10,014	-	-	10,014
Rent	6,916	-	-	6,916	6,916	-	-	6,916
Salaries	52,102	-	-	52,102	28,340	-	-	28,340
Telephone	951	-	-	951	771	-	-	771
Travel/mileage/parking	2,468	-	-	2,468	1,699	-	-	1,699
Total support services	82,115	-	-	82,115	61,885	-	-	61,885
Fund raising	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>388,115</b>	<b>-</b>	<b>-</b>	<b>388,115</b>	<b>367,407</b>	<b>-</b>	<b>-</b>	<b>367,407</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,413</b>	<b>(21,323)</b>	<b>-</b>	<b>(19,910)</b>	<b>(34,121)</b>	<b>4,923</b>	<b>-</b>	<b>(29,198)</b>
<b>NET ASSETS:</b>								
<b>BEGINNING OF YEAR</b>	<b>164,370</b>	<b>26,343</b>	<b>8,000</b>	<b>198,713</b>	<b>198,491</b>	<b>21,420</b>	<b>8,000</b>	<b>227,911</b>
<b>END OF YEAR</b>	<b>\$ 165,783</b>	<b>\$ 5,020</b>	<b>\$ 8,000</b>	<b>\$ 178,803</b>	<b>\$ 164,370</b>	<b>\$ 26,343</b>	<b>\$ 8,000</b>	<b>\$ 198,713</b>

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

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	(\$ 19,910)	(\$ 29,198)
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
Depreciation	943	1,045
(Increase) decrease in operating assets		
Accounts receivable	(6,193)	(29,625)
Prepaid expense	1,566	2,773
Board Discretionary Account	482	63
Temporarily restricted asset	1,230	-
Increase (decrease) in operating liabilities		
Accounts payable	466	(278)
Accrued wages	(15)	1,883
Accrued vacation	6,928	(3,684)
Accrued payroll taxes	528	(138)
Accrued employer contribution	(53)	180
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(14,028)</u>	<u>(56,979)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>-</u>	<u>(2,577)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>(2,577)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	(14,028)	(59,556)
<b>BEGINNING CASH</b>	<u>25,230</u>	<u>84,786</u>
<b>ENDING CASH</b>	<u>\$ 11,202</u>	<u>\$ 25,230</u>

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

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**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, social advisory and other fiduciary services to persons with intellectual disabilities. Their services are provided in the capacity of trustee, guardian, conservator, and/or attorney-in-fact primarily in the Middle Tennessee area.

**Basis of Presentation**

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

**Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

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

**Property and Equipment**

It is GTC's policy to capitalize property and equipment over \$100. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, GTC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GTC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of five to seven years.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 cost, which is its par value, which is the liquidating value in accordance with the stock restriction agreement.

**Revenue Recognition**

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**Conservator and Guardianship Fees**

Fees are recognized 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.

**Contributed Goods and Services**

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Income Taxes**

GTC is a not-for-profit corporation that is exempt from income taxes on income under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation.

**Functional Allocation of Expenses**

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



**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

Management has evaluated subsequent events through November 5, 2010, the date the financial statements were available to be issued.

**NOTE 2 - RESTRICTED CASH**

GTC maintains separate accounts for funds from grants with restrictions and for funds restricted for fiduciary services. Funds are transferred to the operating account to be used for their intended purpose as specified in the restrictions. The fiduciary account includes certain board designation of unrestricted contributions. The grant account primarily holds funds received from United Way grants. 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, 2010 and 2009 was \$0 and \$482 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 balance of plots available as of June 30, 2010 and 2009 was \$4,920 and \$6,150 respectively.

**NOTE 5 - INVESTMENTS**

Investments for the years ended June 30, 2010 and 2009 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 \$140 for the year ended June 30, 2010 and \$210 for the year ended June 30, 2009 and are included in unrestricted investment income in the statements of activities.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<b>2010</b>	<b>2009</b>
Office furniture & equipment	\$ 62,241	\$ 62,241
Accumulated depreciation	(59,503)	(58,560)
	<u>\$ 2,738</u>	<u>\$ 3,681</u>

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**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 5<sup>th</sup> day of the month. The lease expires December 31, 2010.

On November 6, 2006, GTC entered into an operating lease agreement for a postage scale and meter. The lease requires quarterly payments of \$176 through January 1, 2010. The lease was renewed in January 8, 2010 and requires quarterly payments of \$165 through December 8, 2013.

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

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

		<u>Operating</u>
Fiscal year ending June 30,	2011	20,596
	2012	1,404
	2013	660
	2014	330
	2015	-
		<u>\$ 22,990</u>

Rent expense for each of the years ended June 30, 2009 and 2008 was \$34,580. These expenses have been reported in various classifications based upon the related functional use.

**NOTE 8 - DONATED SERVICES AND EXPENSES**

The Organization recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney and trustee services used in the Organization's program services and amounted to \$36,144 and \$69,807 for the years ending June 30, 2010 and 2009, respectively.

**NOTE 9 - TRUST ASSETS**

Assets held in Trust include all fiduciary assets held as trustee, conservator, guardian or attorney-in-fact. These assets totaled \$11,449,925 at June 30, 2010 and \$10,678,519 at June 30, 2009, and are not considered part of the GTC financial statements.

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 10 - CASH FLOW INFORMATION**

There were no income taxes paid or interest paid during the years ended June 30, 2010 or 2009.

**NOTE 11 - CONTRACTS**

GTC has several contracts to provide limited guardianship services.

**NOTE 12 - RESTRICTIONS ON NET ASSETS**

Net assets were released from donor restrictions by incurring the expenses required for the intended purpose that was specified by the donors during June 30, 2010 and 2009.

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.

**NOTE 13 - RETIREMENT PLAN**

GTC adopted a 401(k) retirement plan on January 1, 2002, and amended on January 1, 2010. The plan allows eligible employees to defer up to 25% of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Organization matches 25% of employee contributions up to a maximum of 4% of the employee's salary. Employees must be at least 21 years of age to participate. Matching contributions vest at 100% after the employee has completed three years of service. Plan expenses incurred by GTC during the years ended June 30, 2010 and 2009 were \$2,279 and \$2,390 respectively.

**NOTE 14 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Investments as of June 30, 2010 and 2009 are summarized as follows:

	Fair Value		Carrying Value	
	6/30/10	6/30/09	6/30/10	6/30/09
Restricted:				
Preferred Stock	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
<b>Total</b>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>

**GUARDIANSHIP AND TRUSTS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 14 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	06/30/10			06/30/09		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Interest & dividends	\$ 142	-	-	\$ 474	-	-
<b>Total Investment Return</b>	<b>\$ 142</b>	<b>-</b>	<b>-</b>	<b>\$ 474</b>	<b>-</b>	<b>-</b>

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

**NOTE 15 – CONCENTRATIONS**

GTC received grant income from two funding sources during the year ending June 30, 2009 that comprised 29% of total contributions and grants. The Organization received one grant during the year ending June 30, 2010 that comprised 24% of total contributions and grants.