

Project Guardianship, Inc.

Financial Statements

December 31, 2021



Independent Auditors' Report

**Board of Trustees
Project Guardianship, Inc.**

Opinion

We have audited the accompanying financial statements of Project Guardianship, Inc. ("PG"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PG as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PG and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PG's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited PG's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the summarized comparative information presented herein as of December 31, 2020 and for the period from January 28, 2020 (inception) to December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 14, 2022

Project Guardianship, Inc.

Statement of Financial Position

December 31, 2021

(with comparative amounts at December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,269,571	\$ 589,351
Government grants and contracts receivable	115,833	333,150
Grants receivable	55,000	90,000
Contributions receivable	5,000	-
Guardianship assets held in trust	615,595	-
Due from affiliate	349,854	27,265
Prepaid expenses	17,956	16,667
Client receivables, net	572	-
	<u>\$ 2,429,381</u>	<u>\$ 1,056,433</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 173,787	\$ 176,907
Guardianship assets held in trust	615,595	-
Refundable advances	210,000	-
Total Liabilities	<u>999,382</u>	<u>176,907</u>
Net Assets		
Without Donor Restrictions	957,853	781,841
With Donor Restrictions	<u>472,146</u>	<u>97,685</u>
Total Net Assets	<u>1,429,999</u>	<u>879,526</u>
	<u>\$ 2,429,381</u>	<u>\$ 1,056,433</u>

See notes to financial statements

Project Guardianship, Inc.

Statement of Activities

For the Year Ending December 31, 2021

(with summarized totals for the period from January 28, 2020 (inception) to December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Government grants and contracts	\$ 1,787,149	\$ -	\$ 1,787,149	\$ 368,923
Grants	361,422	580,000	941,422	90,000
Contributions	44,054	-	44,054	-
Technical assistance fees	69,460	-	69,460	-
Other income	620	-	620	40
In-kind services	10,043	-	10,043	-
In-kind rent	67,482	-	67,482	62,490
Net assets released from restriction	205,539	(205,539)	-	-
Total Revenue and Support	<u>2,545,769</u>	<u>374,461</u>	<u>2,920,230</u>	<u>521,453</u>
EXPENSES				
Program services	2,033,120	-	2,033,120	499,697
Supporting Services				
Management and general	243,022	-	243,022	72,261
Fundraising	93,615	-	93,615	22,329
Total Expenses	<u>2,369,757</u>	<u>-</u>	<u>2,369,757</u>	<u>594,287</u>
Change in Net Assets from Operations	176,012	374,461	550,473	(72,834)
NON OPERATING ACTIVITY				
Transfer of net assets from Vera Institute of Justice, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>952,360</u>
Change in Net Assets	176,012	374,461	550,473	879,526
NET ASSETS				
Beginning of period	<u>781,841</u>	<u>97,685</u>	<u>879,526</u>	<u>-</u>
End of period	<u>\$ 957,853</u>	<u>\$ 472,146</u>	<u>\$ 1,429,999</u>	<u>\$ 879,526</u>

See notes to financial statements

Project Guardianship, Inc.

Statement of Functional Expenses Year Ended December 31, 2021

(with summarized totals for the period from January 28, 2020 (inception) to December 31, 2020)

	Program Services			Supporting Services		2021 Total	2020 Total
	Guardianship Services	Advocacy Services	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 1,325,661	\$ 38,077	\$ 1,363,738	\$ 149,157	\$ 61,838	\$ 1,574,733	\$ 384,925
Payroll taxes and employee benefits	405,122	6,383	411,505	20,017	10,423	441,945	96,417
In-kind services	-	-	-	10,043	-	10,043	-
Professional fees	87,167	30,000	117,167	12,467	17,184	146,818	14,602
Insurance	-	-	-	37,495	-	37,495	3,333
Bank charges and fees	-	-	-	5,494	-	5,494	1,784
Equipment lease	5,121	-	5,121	238	106	5,465	367
In-kind rent	67,482	-	67,482	-	-	67,482	62,490
Storage rent	-	-	-	-	-	-	319
Travel and conferences	2,034	-	2,034	-	-	2,034	106
Postage	5,409	-	5,409	137	61	5,607	72
Software	36,281	-	36,281	660	2,113	39,054	1,886
Computer equipment	1,119	-	1,119	18	4	1,141	-
Telephone and internet	10,885	-	10,885	506	225	11,616	1,156
Dues and subscriptions	575	-	575	78	38	691	-
Interest	-	-	-	1,336	-	1,336	-
Recruiting	-	-	-	2,455	-	2,455	-
Office supplies	2,143	-	2,143	192	39	2,374	-
Staff training	4,619	1,295	5,914	-	-	5,914	-
Bad debt expense	-	-	-	-	-	-	26,288
Other	3,747	-	3,747	2,729	1,584	8,060	542
Total Functional Expenses	\$ 1,957,365	\$ 75,755	\$ 2,033,120	\$ 243,022	\$ 93,615	\$ 2,369,757	\$ 594,287

See notes to financial statements

Project Guardianship, Inc.

Statement of Cash Flows
Year Ended December 31, 2021

(with comparative amounts for the period from January 28, 2020 (inception) to December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 550,473	\$ 879,526
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for bad debt	-	26,288
Changes in operating assets and liabilities		
Government grants and contracts receivable	217,317	(333,150)
Grants receivable	35,000	(90,000)
Contributions receivable	(5,000)	-
Due from affiliate	(322,589)	(27,265)
Prepaid expenses	(1,289)	(16,667)
Client receivables	(572)	(26,288)
Accounts payable and accrued expenses	(3,120)	176,907
Refundable advances	<u>210,000</u>	<u>-</u>
Net Cash from Operating Activities	<u>680,220</u>	<u>589,351</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	616,000	-
Payment of line of credit	<u>(616,000)</u>	<u>-</u>
Net Cash from Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	680,220	589,351
CASH AND CASH EQUIVALENTS		
Beginning of period	<u>589,351</u>	<u>-</u>
End of period	<u>\$ 1,269,571</u>	<u>\$ 589,351</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,336	\$ -

See notes to financial statements

Project Guardianship, Inc.

Notes to Financial Statements

December 31, 2021

1. Organization and Tax Status

Project Guardianship, Inc. ("PG") is a not-for-profit organization whose mission is to provide guardianship and other support services for poor, elderly, disabled, or otherwise vulnerable individuals who lack the capacity to meet personal needs or manage their own affairs in order to help such individuals gain access to necessary support services, meet basic needs, and remain independent and engaged in their communities. PG was formerly a program under Vera Institute of Justice, Inc. ("Vera") called The Guardianship Project ("TGP") that began in 2004 before being spun off from Vera into a separate legal entity. On January 28, 2020, PG was incorporated in the State of New York under section 501(c)(3) of the Internal Revenue Code with Vera being the sole member of PG. Effective November 1, 2020, an independence agreement was executed between PG and Vera at which time certain employees were transferred to PG and all activity is the responsibility of PG. At December 31, 2021, Vera is still the sole member of PG.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments with a maturity of three months or less at time of purchase.

Government Grants and Contracts Receivable and Grants Receivable

Government grants and contracts receivable and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables.

Project Guardianship, Inc.

Notes to Financial Statements

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

PG's revenue related to contributions received is recognized as revenue in the period received at its fair value and PG distinguishes such contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using the prime rate applicable to the year in which contributions are made. Amortization of discounts is included in contribution revenue.

Client Receivables

From time to time, PG will pay expenses on behalf of clients for those clients holding a credit card. PG advances the funds to clients by paying the bills on their behalf prior to all receipts and supporting documentation being collected. Once all receipts are collected and substantiated by PG personnel, the related funding will be withdrawn from the corresponding client's bank accounts held in trust by PG. At December 31, 2020, the balance owed from clients to PG of \$26,288 was written off. At December 31, 2021 and 2020, the balance owed from clients to PG was \$572 and \$0.

Allowance for Doubtful Accounts

PG provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing specific accounts. Management deems all receivables to be collectable at December 31, 2021. Management deems all receivables, except client receivables, to be collectable at December 31, 2020.

Advertising

Advertising is expensed as it is incurred.

Net Asset Classification

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions - consist of resources available for the general support of PG's operations and that may be used at the discretion of PG's management and the Board of Trustees.

With donor restrictions - consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities, including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Project Guardianship, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions

In-kind contributions are recognized in the accompanying financial statements based on their fair value. PG recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services that do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

In-kind services primarily relate to donated services performed by professionals in the course of carrying out the functions and activities of the programs of PG.

Since 2005, PG has been granted use of space below fair rental value by the New York State Unified Court System ("NYS UCS") on a month to month basis at 320 Jay Street, Brooklyn, New York and 360 Adams Street, Brooklyn, New York. For the year ended December 31, 2021 and the period ended December 31, 2020, contributed rent reported in the statement of activities is based on fair rental value of \$67,482 and \$62,490.

Revenue Recognition

PG recognizes grant and contract revenues in the statement of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance are reported as refundable advances in the statement of financial position. Revenue for performance based grants and contracts is recognized based on actual services rendered, not to exceed the maximum allowable amount per the grant or contract.

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are greater than one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. building improvements, furniture, fixtures and equipment) are reported as with donor restrictions. PG reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met.

There were no contract asset and liabilities at December 31, 2021, December 31, 2020 and at January 28, 2020 (inception date).

Project Guardianship, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

Technical assistance fees relate to earnings PG receives based on work performed on a final accounting of transactions for clients being discharged along with annual trust accounting filed with the courts. Revenue is recognized once the court approves the final accounting filings and issues a check for PG's portion of the assets.

Functional Expense Allocations

PG allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditures. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records and estimates made by PG's management, these include salaries and wages, payroll taxes, and employee benefits.

Accounting for Uncertainty in Income Taxes

PG recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that PG had no uncertain tax positions that would require financial statement recognition or disclosure.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 14, 2022.

3. Concentrations of Credit Risk

Financial instruments that potentially subject PG to concentrations of credit risk consist principally of cash, government grants and contracts receivable, grants receivable and contributions receivable. PG places its cash with high credit quality financial institutions which, at times, may exceed federally insured limits prescribed by the Federal Deposit Insurance Corporation ("FDIC").

Government grants and contracts receivable credit risk is concentrated due to the nature of the grants and contracts and funding being provided by a few agencies. PG regularly monitors its government grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. PG considers all government grants and contracts receivables as collectible.

Grants receivable credit risk is concentrated due to the receivable balance relating to three institutional donors which have all made installment payments in the past.

Contributions receivable credit risk is concentrated due to the receivable balance relating to one institutional donor which has made installment payments in the past.

Project Guardianship, Inc.

Notes to Financial Statements
December 31, 2021

4. Economic Dependency

Funding from the New York State Unified Court System (“NYS UCS”) comprised 61% and 64% of total revenue and support in the year ended December 31, 2021 and period ended December 31, 2020 (excluding the transfer of net assets from Vera). PG is economically dependent on these funds to continue operations.

5. Line of Credit

At December 31, 2021, PG has a \$1,000,000 revolving line of credit with a financial institution through May 1, 2023. Borrowings under this arrangement bear interest at the Wall Street Journal prime rate plus .25% and secured by all assets of PG. As of December 31, 2021, PG had an outstanding borrowing of \$0. Interest expense on the revolving line of credit was \$1,336 for the year ended December 31, 2021. Vera is a guarantor on the line of credit.

6. Net Assets with Donor Restrictions

The following summarizes the changes in the net assets with donor restrictions and the related purposes for the year ended December 31, 2021:

Purpose/Retriction	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ 90,000	\$ -	\$ (45,000)	\$ 45,000
Restricted by Purpose				
Guardianship for seniors	-	20,000	-	20,000
Research project/cost benefit analysis	-	65,000	(15,000)	50,000
Personnel and indirect costs	-	485,000	(127,854)	357,146
Financial software consultant	-	10,000	(10,000)	-
Benefits coordinator	7,685	-	(7,685)	-
Total Restricted by Purpose	7,685	580,000	(160,539)	427,146
Total Net Assets with Donor Restrictions	\$ 97,685	\$ 580,000	\$ (205,539)	\$ 472,146

The following summarizes the changes in the net assets with donor restrictions and the related purposes for the period ended December 31, 2020:

Purpose/Retriction	Beginning of Period	Additions	Net Assets Released	End of Period
Restricted by Time	\$ -	\$ 90,000	\$ -	\$ 90,000
Restricted by Purpose				
Benefits coordinator	-	20,537	(12,852)	7,685
Total Restricted by Purpose	-	20,537	(12,852)	7,685
Total Net Assets with Donor Restrictions	\$ -	\$ 110,537	\$ (12,852)	\$ 97,685

Project Guardianship, Inc.

Notes to Financial Statements

December 31, 2021

7. Employee Benefit Plans

PG has a 401(k) plan covering all employees. Contributions by PG to the plan on behalf of employees are 5% of an employee's annual eligible compensation. Employees are eligible to participate in the plan upon date of hire and are immediately fully vested in all employer contributions made on their behalf. Contributions by PG to the plan amounted to \$43,284 for the year ended December 31, 2021 and \$3,308 for the period ended December 31, 2020.

8. Commitments and Contingencies

PG has contracted with various funding agencies to perform various client guardianship services and receives revenue from the New York City and state governments. Reimbursements received under these contracts and payments are subject to audit by state governments and other agencies. Upon audit, if discrepancies are discovered, PG could be held responsible for refunding the amounts in question.

9. Related Party Transactions

Prior to the independence agreement between Vera and PG, there was an agreement between Vera and PG for the exchange of services including payroll, space, and other expenses incurred by Vera on behalf of PG along with any donations received by Vera earmarked for PG. During the year ended December 31, 2021 and the period ended December 31, 2020, total expenses incurred by PG and paid by Vera totaled \$130,269 and \$29,045.

During the year ended December 31, 2021, total grant revenue and technical assistance fees transferred from Vera amounted to \$717,318 and \$24,434. During the period ended December 31, 2020, total grant revenue and amount of net assets transferred from Vera amounted to \$35,773 and \$20,537.

In addition, prior to the independence agreement, Vera tracked the operating net assets of TGP and transferred the balance of \$931,823 to PG during 2020.

10. Guardianship Assets Held in Trust

PG provides guardianship services for older adults and people with disabilities in New York City who have been determined by NYS UCS to be unable to care for themselves. PG's administration of these assets is limited as dictated to certain appointed tasks as outlined in the order and judgment administered by a judge under NYS UCS which limits the scope of PG's authority to handle financial tasks. On November 1, 2020, an independence agreement was executed between Vera and PG at which point all new guardianship clients appointed by NYS UCS are sent to PG. Vera continues to be responsible for historic guardianship clients and has subcontracted the work out to PG. At times during the year, cash balances for PG held in the designated individual's and Vera's name, may exceed federally insured limits prescribed by the FDIC. Real property held by PG on behalf of clients is valued using the historical cost principle with the property's value being determined at the point in time when PG is appointed as guardian for the client and asset. At December 31, 2021, the total amount of guardianship assets held in trust is comprised entirely of client cash.

Project Guardianship, Inc.

Notes to Financial Statements
December 31, 2021

11. Liquidity and Availability of Financial Assets

PG's financial assets reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions, are composed of the following at December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 1,269,571	\$ 589,351
Government grants and contracts receivable	115,833	333,150
Grants receivable	55,000	90,000
Contributions receivable	5,000	-
Due from affiliate	349,854	27,265
Client receivable, net	<u>572</u>	<u>-</u>
	<u>1,795,830</u>	<u>1,039,766</u>
Less amount unavailable for general expenditure		
Amounts restricted for purpose by donor	(427,146)	-
Amounts restricted for time by donor	<u>-</u>	<u>(45,000)</u>
	<u>(427,146)</u>	<u>(45,000)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,368,684</u>	<u>\$ 994,766</u>

12. Risk and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, the extent to which PG's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to PG's future results of operations, cash flows, and financial condition.

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