

**Project Guardianship, Inc.**

Financial Statements

December 31, 2020

## Independent Auditors' Report

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

We have audited the accompanying financial statements of Project Guardianship, Inc. ("PG"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the period from January 28, 2020 (inception) to December 31, 2020, 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.

### ***Auditors' 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 of 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 auditors' 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 PG as of December 31, 2020, and the changes in its net assets and its cash flows for the period from January 28, 2020 (inception) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

November 14, 2022

**Project Guardianship, Inc.**

Statement of Financial Position  
December 31, 2020

**ASSETS**

Cash	\$ 589,351
Government grants and contracts receivable	333,150
Grants receivable	90,000
Due from affiliate	27,265
Prepaid expenses	<u>16,667</u>
	<u>\$ 1,056,433</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable and accrued expenses	<u>\$ 176,907</u>
Net Assets	
Without Donor Restrictions	781,841
With Donor Restrictions	<u>97,685</u>
Total Net Assets	<u>879,526</u>
	<u>\$ 1,056,433</u>

See notes to financial statements

## Project Guardianship, Inc.

### Statement of Activities

For the Period from January 28, 2020 (inception) to December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Government grants and contracts	\$ 333,150	\$ -	\$ 333,150
Grants	35,773	90,000	125,773
Other income	40	-	40
In-kind rent	62,490	-	62,490
Net assets released from restriction	<u>12,852</u>	<u>(12,852)</u>	<u>-</u>
Total Revenue and Support	<u>444,305</u>	<u>77,148</u>	<u>521,453</u>
<b>EXPENSES</b>			
Program services	499,702	-	499,702
Supporting Services			
Management and general	72,258	-	72,258
Fundraising	<u>22,327</u>	<u>-</u>	<u>22,327</u>
Total Expenses	<u>594,287</u>	<u>-</u>	<u>594,287</u>
Change in Net Assets from Operations	(149,982)	77,148	(72,834)
<b>NON OPERATING ACTIVITY</b>			
Transfer of net assets from Vera Institute of Justice, Inc.	<u>931,823</u>	<u>20,537</u>	<u>952,360</u>
Change in Net Assets	781,841	97,685	879,526
<b>NET ASSETS</b>			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ 781,841</u>	<u>\$ 97,685</u>	<u>\$ 879,526</u>

See notes to financial statements

**Project Guardianship, Inc.**

Statement of Functional Expenses  
For the Period from January 28, 2020 (inception) to December 31, 2020

	<u>Guardianship Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 331,247	\$ 34,016	\$ 19,662	\$ 384,925
Payroll taxes and employee benefits	91,065	3,087	2,265	96,417
Professional fees	10,665	3,632	305	14,602
Insurance	-	3,333	-	3,333
Bank charges and fees	-	1,784	-	1,784
Equipment lease	343	14	10	367
In-kind rent	62,490	-	-	62,490
Storage rent	319	-	-	319
Travel and conferences	106	-	-	106
Postage	72	-	-	72
Software	1,861	-	25	1,886
Telephone and internet	1,081	43	32	1,156
Bad debt expense	-	26,288	-	26,288
Other	453	61	28	542
Total Functional Expenses	<u>\$ 499,702</u>	<u>\$ 72,258</u>	<u>\$ 22,327</u>	<u>\$ 594,287</u>

See notes to financial statements

**Project Guardianship, Inc.**

Statement of Cash Flows

For the Period from January 28, 2020 (inception) to December 31, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 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	(333,150)
Grants receivable	(90,000)
Due from affiliates	(27,265)
Prepaid expenses	(16,667)
Client receivables	(26,288)
Accounts payable and accrued expenses	<u>176,907</u>
Net Cash from Operating Activities	<u>589,351</u>
 Net Change in Cash	 589,351

**CASH**

Beginning of period	<u>-</u>
 End of period	 <u>\$ 589,351</u>

See notes to financial statements

## **Project Guardianship, Inc.**

Notes to Financial Statements  
December 31, 2020

### **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, 2020, 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 probable 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, 2020

### **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 using PG credit cards. 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.

#### ***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 (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, 2020

### **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.

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 period ended December 31, 2020, contributed rent reported in the statement of activities is based on fair rental value of \$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 assets and liabilities at January 28, 2020 (inception date) and at December 31, 2020.

## **Project Guardianship, Inc.**

Notes to Financial Statements  
December 31, 2020

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

#### ***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, grants 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 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 one institutional donor which has made installment payments in the past.

### **4. Economic Dependency**

Funding from NYS UCS comprised 64% of total revenue and support in the period ended December 31, 2020 (excluding the transfer of net assets from Vera). PG is economically dependent on these funds to continue its operations.

## Project Guardianship, Inc.

Notes to Financial Statements  
December 31, 2020

### 5. Line of Credit

At December 31, 2020, the Organization has a \$1,000,000 revolving line of credit with a financial institution which matures 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. PG had an outstanding borrowing of \$0. Interest expense on the revolving line of credit was \$0 for the period ended December 31, 2020. Vera is a guarantor on the line of credit as of December 31, 2020.

### 6. Net Assets with Donor Restrictions

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

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

### 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 \$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 period ended December 31, 2020, total expenses incurred by PG and paid by Vera totaled \$29,045. Total grant revenue and amount of net assets transferred from Vera recognized for the period ended December 31, 2020, totaled \$35,773 and \$20,537. The remaining amount to be received is recorded as due from affiliate on the statement of financial position.

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.

## Project Guardianship, Inc.

Notes to Financial Statements  
December 31, 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 authorized PG to act on its behalf. At times during the year, cash balances for PG held in a client's or 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. At December 31, 2020, there were no guardianship assets held in trust by PG as appointed by NYS UCS.

### 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, 2020:

Financial Assets:	
Cash	\$ 589,351
Government grants and contracts receivable	333,150
Grants receivable	90,000
Due from affiliate	<u>27,265</u>
	1,039,766
Less amount unavailable for general expenditure	
Amounts restricted for time by donor	<u>(45,000)</u>
Financial Assets Available to Meet General	
Expenditures Over the Next Twelve Months	<u>\$ 994,766</u>

As part of PG's strategy, management structures its financial assets to be available as its general expenditures and liabilities come due within one year. PG receives cash flow from various government and foundation grants to fund its programs and has a \$1,000,000 line of credit available to meet future cash flow needs.

## **Project Guardianship, Inc.**

Notes to Financial Statements  
December 31, 2020

### **12. Risks 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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