

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2010 and 2009



Independent Auditors' Report

To the Board of Directors of Good Counsel, Inc.

We have audited the accompanying consolidated statements of financial position of Good Counsel, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of activity, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of Good Counsel, Inc.'s management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and 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 consolidated financial position of Good Counsel, Inc. and affiliate as of December 31, 2010 and 2009, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

Paramus, New Jersey
April 18, 2011

Good Counsel, Inc.

Consolidated Statements of Financial Position

December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,890,197	\$ 1,327,312
Contributions receivable	179,539	125,478
Investments	86,972	167,115
Prepaid expenses	3,362	2,248
Property and equipment, net	<u>793,866</u>	<u>783,850</u>
	<u>\$ 2,953,936</u>	<u>\$ 2,406,003</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 143,456	\$ 136,238
Due to annuitant	<u>64,642</u>	<u>78,692</u>
 Total Liabilities	<u>208,098</u>	<u>214,930</u>
 Net Assets		
Unrestricted	1,894,439	1,396,428
Temporarily restricted	<u>851,399</u>	<u>794,645</u>
 Total Net Assets	<u>2,745,838</u>	<u>2,191,073</u>
	<u>\$ 2,953,936</u>	<u>\$ 2,406,003</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activity

Years Ended December 31,

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 3,485,468	\$ 382,266	\$ 3,867,734	\$ 3,143,598	\$ 177,307	3,320,905
Program service revenues	73,245	-	73,245	46,604	-	46,604
Grants	148,030	-	148,030	114,940	-	114,940
Donated goods and services	200,000	-	200,000	183,500	-	183,500
Dividends and interest	1,007	-	1,007	4,755	-	4,755
Net assets released from restrictions	<u>325,512</u>	<u>(325,512)</u>	<u>-</u>	<u>20,576</u>	<u>(20,576)</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>4,233,262</u>	<u>56,754</u>	<u>4,290,016</u>	<u>3,513,973</u>	<u>156,731</u>	<u>3,670,704</u>
EXPENSES						
Program services	3,036,245	-	3,036,245	2,946,934	-	2,946,934
Management and general	363,074	-	363,074	400,645	-	400,645
Fundraising	<u>343,824</u>	<u>-</u>	<u>343,824</u>	<u>396,463</u>	<u>-</u>	<u>396,463</u>
Total Expenses	<u>3,743,143</u>	<u>-</u>	<u>3,743,143</u>	<u>3,744,042</u>	<u>-</u>	<u>3,744,042</u>
Change in Net Assets from Operating Activities	490,119	56,754	546,873	(230,069)	156,731	(73,338)
NONOPERATING ACTIVITIES						
Donation of building	-	-	-	577,000	-	577,000
Net realized and unrealized gain (loss) on investments	<u>7,892</u>	<u>-</u>	<u>7,892</u>	<u>24,726</u>	<u>-</u>	<u>24,726</u>
Change in Net Assets	498,011	56,754	554,765	371,657	156,731	528,388
NET ASSETS						
Beginning of year	<u>1,396,428</u>	<u>794,645</u>	<u>2,191,073</u>	<u>1,024,771</u>	<u>637,914</u>	<u>1,662,685</u>
End of year	<u>\$ 1,894,439</u>	<u>\$ 851,399</u>	<u>\$ 2,745,838</u>	<u>\$ 1,396,428</u>	<u>\$ 794,645</u>	<u>\$ 2,191,073</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

Years Ended December 31,

	2010				2009			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,226,117	\$ 151,047	\$ 151,047	\$ 2,528,211	\$ 2,115,067	\$ 169,291	\$ 169,291	\$ 2,453,649
Rent, utilities and building maintenance	220,914	6,095	6,095	233,104	191,752	4,956	4,956	201,664
Telephone	42,205	3,530	3,530	49,265	49,015	3,448	3,448	55,911
Equipment rental and maintenance	11,172	3,686	3,686	18,544	12,043	4,378	4,378	20,799
Insurance	70,726	8,557	8,557	87,840	65,094	8,527	8,527	82,148
Printing, publications and advertising	60,318	69,555	69,555	199,428	14,663	97,572	108,948	221,183
Postage and shipping	19,421	38,052	38,052	95,525	29,459	48,155	47,194	124,808
Supplies and food	56,401	29,389	29,389	115,179	110,845	3,852	3,852	118,549
Auto and travel	25,962	2,635	2,635	31,232	24,523	2,826	2,826	30,175
Professional fees and consulting	5,166	23,283	5,282	33,731	55,976	35,968	16,467	108,411
Direct assistance programs	7,961	-	-	7,961	11,736	-	-	11,736
Depreciation and amortization	74,723	-	-	74,723	66,332	-	-	66,332
Other expenses	27,159	27,245	25,996	80,400	27,429	21,672	26,576	75,677
Donated goods and services	<u>188,000</u>	<u>-</u>	<u>-</u>	<u>188,000</u>	<u>173,000</u>	<u>-</u>	<u>-</u>	<u>173,000</u>
Total Expenses	<u>\$ 3,036,245</u>	<u>\$ 363,074</u>	<u>\$ 343,824</u>	<u>\$ 3,743,143</u>	<u>\$ 2,946,934</u>	<u>\$ 400,645</u>	<u>\$ 396,463</u>	<u>\$ 3,744,042</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

December 31,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 554,765	\$ 528,388
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	74,723	66,332
Net realized and unrealized (gain) on investments	(7,892)	(24,726)
Donation of building	-	(577,000)
Donation of furniture and fixtures	(12,000)	(10,500)
Change in operating assets and liabilities		
Contributions receivable	(54,061)	(5,573)
Prepaid expenses	(1,114)	1,191
Accounts payable and accrued expenses	7,218	12,019
Due to annuitant	<u>(14,050)</u>	<u>(4,418)</u>
Net Cash from Operating Activities	<u>547,589</u>	<u>(14,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(72,739)	(21,252)
Purchase of investments	(69,346)	(70,739)
Sale of investments	<u>157,381</u>	<u>29,873</u>
Net Cash from Investing Activities	<u>15,296</u>	<u>(62,118)</u>
Net Change in Cash and Cash Equivalents	562,885	(76,405)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,327,312</u>	<u>1,403,717</u>
End of year	<u><u>\$ 1,890,197</u></u>	<u><u>\$ 1,327,312</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Building acquired through donation	\$ -	\$ 577,000
Furniture and fixtures donated	12,000	10,500

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements

1. Organization

Good Counsel, Inc. (“GCI”) is a not-for-profit organization which provides training, housing and much more to homeless, pregnant mothers, before, during and after birth, as well as their children. GCI operates housing in the New York communities of Spring Valley, the Bronx, Staten Island and Harrison, and provides outreach programs in New York and New Jersey. GCI maintains administrative offices in Poughkeepsie and Spring Valley, New York, as well as Hoboken, New Jersey and the Bronx. Food, clothing, other personal items and most of the babies needs, along with counseling are provided to the residents. In the last quarter of 2010, renovations began for another resident program in Riverside, NJ. GCI derives its revenue primarily from public donations and grants, and donations are made by resident mothers.

The Paraclete Foundation is an inactive not-for-profit entity. Evangelium Vitae Housing Development Development Fund Corporation, of which GCI is the sole member, was formed to acquire the property in the Bronx, New York in order for GCI to provide a safe home for pregnant, homeless mothers.

GCI and the Paraclete Foundation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Evangelium Vitae Housing Development Fund Corporation is subject to Federal and state income taxes.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statement includes Evangelium Vitae Housing Development Fund Corporation and Paraclete Foundation, both controlled by GCI, the sole member. All material inter-company transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the statements of cash flows, GCI considers all debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Good Counsel, Inc.

Notes to Consolidated Financial Statements

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

Fair Value of Financial Instruments

GCI follows Financial Accounting Standard Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments

Investments are carried at fair value.

Property and Equipment

Property and equipment are recorded at cost, or if received through donation, at fair market value at the date of receipt. Depreciation is provided using the straight-line method over the estimated useful life of the asset or, in the case of leasehold improvements, over shorter of such estimated life or the term of the lease.

Annuities Payable

Included in the investments held by GCI and temporarily restricted net assets are investments in annuity income funds arising from contributions which are subject to agreements to pay donors fixed annuities over the remainder of their lives. The net present value of the actuarially expected annuity payments is recorded as a liability.

Good Counsel, Inc.

Notes to Consolidated Financial Statements

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

Basis of Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors for investment in perpetuity. GCI had no permanently restricted net assets as of December 31, 2010.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Nonmonetary contributions are recorded at fair value at the time of donation. GCI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 activity 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.

Allocation of Expenses

GCI allocates total costs to the various functional expenses categories. This allocation is based primarily on employee time incurred in each respective functional expense category.

Accounting for Uncertainty in Income Taxes

GCI recognizes the effects of income tax positions when they are more likely than not of being sustained. Management has determined that GCI had no uncertain tax positions that would require financial statement recognition or disclosure. GCI is no longer subject to U.S. federal and state income tax audits for periods prior to 2007.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition through the date that the financial statements were available to be issued, which date is April 18, 2011.

Good Counsel, Inc.

Notes to Consolidated Financial Statements

3. Allocation of Joint Costs

In 2010, the organization conducted activities that included requests for contribution, as well as program and management and general activities. Those activities included direct mailing campaigns, special events and speaking engagements. The costs of conducting those activities included a total of \$370,228 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Program Services	\$222,137
Management and General	55,534
Fundraising	<u>92,557</u>
Total	<u>\$370,228</u>

4. Investments

The following is a summary of investments held categorized by the fair value hierarchy at December 31,

	<u>2010</u>	<u>2009</u>
Level 1		
Alex Brown Securities Fund	\$ 674	\$ 50,212
Level 2		
Hartford Variable Annuity	<u>86,298</u>	<u>86,298</u>
	<u>\$ 86,972</u>	<u>\$ 136,510</u>

5. Operating Measurement

GCI divides its Consolidated Statements of Activities into operating and nonoperating activities. The operating activities of GCI include all income and expenses related to carrying out its mission. Operating revenues include public support, grants, program service revenue, and dividend and interest income. Realized and unrealized investment gains (losses) and other income (expenses) are considered nonoperating activities.

Good Counsel, Inc.

Notes to Consolidated Financial Statements

6. Property and Equipment

At December 31, property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Fixtures and equipment	\$ 407,449	\$ 357,603
Leasehold improvements	429,210	394,317
Building	<u>577,000</u>	<u>577,000</u>
	1,413,659	1,328,920
Less accumulated depreciation and amortization	<u>(619,793)</u>	<u>(545,070)</u>
	<u>\$ 793,866</u>	<u>\$ 783,850</u>

7. Operating Leases

GCI leases its Staten Island, Poughkeepsie and Riverside facilities under long term operating arrangements. These agreements expire on November 4, 2011, November 30, 2011 and September 30, 2015. These agreements generally require the payment of insurance and repairs and maintenance. All other GCI facilities are rented on a month to month basis. Rent expense totaled \$89,867 and \$76,812 for 2010 and 2009. These expenses are included in the amounts for rent, utilities and building maintenance on the statements of functional expenses.

Future annual minimum lease payments at December 31, 2010 required under the operating lease agreements are payable as follows:

2011	\$ 39,032
2012	34,032
2013	34,032
2014	34,032
2015	25,524

Good Counsel, Inc.

Notes to Consolidated Financial Statements

8. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

At December 31, temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Daystar Program	\$ 245,974	\$ 265,949
South Jersey Program	580,850	499,359
Lumina	<u>24,575</u>	<u>29,337</u>
	<u>\$ 851,399</u>	<u>\$ 794,645</u>

Net assets were released in 2010 and 2009 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2010</u>	<u>2009</u>
Daystar Program	\$ 111,821	\$ 10,978
South Jersey Program	208,929	-
Lumina	<u>4,762</u>	<u>9,598</u>
	<u>\$ 325,512</u>	<u>\$ 20,576</u>

9. Donated Goods and Services

GCI received donated goods in 2010 and 2009 with an estimated value of \$200,000 and \$183,500, respectively. These donated items consisted of \$135,000 of rent free use of homes and offices, \$3,000 for pro bono services from an attorney and other goods including food, baby products, computers, and household items. GCI occupies its facilities rent-free except for the locations in Staten Island, Poughkeepsie, Hoboken and Harrison.

In 2009, the city of New York donated the building used by the Bronx location of GCI to Evangelium Vitae Housing Development Fund Corporation, a related company of which GCI is the sole member. This donation has been recorded at the estimated fair market value of \$577,000.

Good Counsel, Inc.

Notes to Consolidated Financial Statements

9. Donated Goods and Services (*continued*)

GCI received the donated services of volunteers totaling approximately 4,238 and 4,012 hours in 2010 and 2009, respectively. These hours do not meet the criteria for recognition under generally accepted accounting principles. Accordingly, no amount has been reflected in the financial statements. These donated services include volunteers who assist in the life skills programs, assisting mothers and children, and conducting special events to raise funds for GCI.

10. Employee Leasing

GCI leases all employees from a third party employee leasing company. The leasing company processes payroll, prepares and files all payroll reports, pays all applicable federal, state and local payroll taxes and administers workers' compensation insurance.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents. At times cash balances held at financial institutions may be in excess of federally insured limits. The Organization has not experienced any losses on its cash deposits.