

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2011 and 2010



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

The Board of Directors Good Counsel, Inc.

We have audited the accompanying consolidated statements of financial position of Good Counsel, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of activities, 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, 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, 2011 and 2010, 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
March 27, 2012

Good Counsel, Inc.

Consolidated Statements of Financial Position

December 31,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,584,161	\$ 1,890,197
Contributions receivable	285,457	179,539
Investments	77,125	86,972
Prepaid expenses	11,038	3,362
Property and equipment, net	<u>800,696</u>	<u>793,866</u>
	<u>\$ 2,758,477</u>	<u>\$ 2,953,936</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 212,348	\$ 143,456
Due to annuitant	<u>63,739</u>	<u>64,642</u>
 Total Liabilities	<u>276,087</u>	<u>208,098</u>
 Net Assets		
Unrestricted	1,696,885	1,894,439
Temporarily restricted	<u>785,505</u>	<u>851,399</u>
 Total Net Assets	<u>2,482,390</u>	<u>2,745,838</u>
	<u>\$ 2,758,477</u>	<u>\$ 2,953,936</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 3,263,026	\$ 392,004	\$ 3,655,030	\$ 3,485,468	382,266	3,867,734
Program service revenues	63,283	-	63,283	73,245	-	73,245
Grants	113,550	-	113,550	148,030	-	148,030
Donated goods and services	205,000	-	205,000	200,000	-	200,000
Dividends and interest	850	-	850	1,007	-	1,007
Net assets released from restrictions	457,898	(457,898)	-	325,512	(325,512)	-
Total Revenue, Gains and Other Support	4,103,607	(65,894)	4,037,713	4,233,262	56,754	4,290,016
EXPENSES						
Program services	3,356,104	-	3,356,104	3,036,245	-	3,036,245
Management and general	482,160	-	482,160	363,074	-	363,074
Fundraising	460,261	-	460,261	343,824	-	343,824
Total Expenses	4,298,525	-	4,298,525	3,743,143	-	3,743,143
Change in Net Assets from Operating Activities	(194,918)	(65,894)	(260,812)	490,119	56,754	546,873
NONOPERATING ACTIVITIES						
Net realized and unrealized gain (loss) on investments	(2,636)	-	(2,636)	7,892	-	7,892
Change in Net Assets	(197,554)	(65,894)	(263,448)	498,011	56,754	554,765
NET ASSETS						
Beginning of year	1,894,439	851,399	2,745,838	1,396,428	794,645	2,191,073
End of year	\$ 1,696,885	\$ 785,505	\$ 2,482,390	\$ 1,894,439	\$ 851,399	\$ 2,745,838

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31,				Year Ended December 31,			
	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,417,447	\$ 176,384	\$ 176,385	\$ 2,770,216	\$ 2,226,117	\$ 151,047	\$ 151,047	\$ 2,528,211
Rent, utilities and building maintenance	256,763	12,697	12,697	282,157	220,914	6,095	6,095	233,104
Telephone	42,957	4,508	4,508	51,973	42,205	3,530	3,530	49,265
Equipment rental and maintenance	15,568	4,286	4,286	24,140	11,172	3,686	3,686	18,544
Insurance	53,145	21,224	21,224	95,593	70,726	8,557	8,557	87,840
Printing, publications and advertising	68,645	90,720	90,720	250,085	60,318	69,555	69,555	199,428
Postage and shipping	40,236	49,145	49,145	138,526	19,421	38,052	38,052	95,525
Supplies and food	82,380	27,431	27,431	137,242	56,401	29,389	29,389	115,179
Auto and travel	36,586	3,747	3,747	44,080	25,962	2,635	2,635	31,232
Professional fees and consulting	4,617	25,216	5,216	35,049	5,166	23,283	5,282	33,731
Direct assistance programs	11,968	-	-	11,968	7,961	-	-	7,961
Depreciation and amortization	82,690	-	-	82,690	74,723	-	-	74,723
Other expenses	54,602	66,802	64,902	186,306	27,159	27,245	25,996	80,400
Donated goods and services	188,500	-	-	188,500	188,000	-	-	188,000
Total Expenses	\$ 3,356,104	\$ 482,160	\$ 460,261	\$ 4,298,525	\$ 3,036,245	\$ 363,074	\$ 343,824	\$ 3,743,143

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

December 31,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (263,448)	\$ 554,765
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	82,690	74,723
Net realized and unrealized loss (gain) on investments	2,636	(7,892)
Donation of furniture and fixtures	(16,500)	(12,000)
Change in operating assets and liabilities		
Contributions receivable	(105,918)	(54,061)
Prepaid expenses	(7,676)	(1,114)
Accounts payable and accrued expenses	68,892	7,218
Due to annuitant	<u>(903)</u>	<u>(14,050)</u>
Net Cash from Operating Activities	<u>(240,227)</u>	<u>547,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(73,020)	(72,739)
Purchase of investments	(60,899)	(69,346)
Sale of investments	<u>68,110</u>	<u>157,381</u>
Net Cash from Investing Activities	<u>(65,809)</u>	<u>15,296</u>
Net Change in Cash and Cash Equivalents	(306,036)	562,885
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,890,197</u>	<u>1,327,312</u>
End of year	<u><u>\$ 1,584,161</u></u>	<u><u>\$ 1,890,197</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Furniture and fixtures donated	\$ 16,500	\$ 12,000

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2011 and 2010

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 has homes for mothers and children in the New York communities of Spring Valley, the Bronx, Staten Island and Harrison, and in New Jersey outside the city of Camden in Riverside. Food, clothing, other personal items and most of the babies needs, along with counseling are provided to the residents. Additional outreach programs are found in New York and New Jersey.

GCI maintains administrative offices in Poughkeepsie, Spring Valley, the Bronx New York, as well as Hoboken, New Jersey.

GCI derives its revenue primarily from public donations and grants.

The Paraclete Foundation is an inactive not-for-profit entity. Evangelium Vitae Housing 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 accounting principles generally accepted in the United States of America 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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2011 and 2010

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, 2011.

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.

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 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 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 December 31, 2011 and 2010

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

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 to be 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 examinations for periods prior to 2008.

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 March 27, 2012.

3. Allocation of Joint Costs

In 2011, 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 \$544,214 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Program Services	\$326,528
Management and General	81,632
Fundraising	<u>136,054</u>
Total	<u>\$544,214</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2011 and 2010

4. Investments

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

	<u>2011</u>	<u>2010</u>
Level 1		
Alex Brown Securities Fund	\$ 1,018	\$ 674
Level 2		
Hartford Variable Annuity	<u>76,107</u>	<u>86,298</u>
	<u>\$ 77,125</u>	<u>\$ 86,972</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.

6. Property and Equipment

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

	<u>2011</u>	<u>2010</u>
Fixtures and equipment	\$ 496,969	\$ 407,449
Leasehold improvements	429,210	429,210
Building	<u>577,000</u>	<u>577,000</u>
	1,503,179	1,413,659
Less accumulated depreciation and amortization	<u>(702,483)</u>	<u>(619,793)</u>
	<u>\$ 800,696</u>	<u>\$ 793,866</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2011 and 2010

7. Operating Leases

GCI leases its Staten Island and Riverside facilities under long term operating arrangements. These agreements expire on February 27, 2015 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 \$105,181 and \$89,867 for 2011 and 2010. 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, 2011 required under the operating lease agreements are payable as follows:

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

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>2011</u>	<u>2010</u>
Daystar Program	\$ 266,016	\$ 245,974
South Jersey Program	500,928	580,850
Lumina	<u>18,561</u>	<u>24,575</u>
	<u>\$ 785,505</u>	<u>\$ 851,399</u>

Net assets were released in 2011 and 2010 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2011</u>	<u>2010</u>
Daystar Program	\$ 4,545	\$ 111,821
South Jersey Program	447,339	208,929
Lumina	<u>6,014</u>	<u>4,762</u>
	<u>\$ 457,898</u>	<u>\$ 325,512</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2011 and 2010

9. Donated Goods and Services

GCI received donated goods in 2011 and 2010 with an estimated value of \$205,000 and \$200,000, respectively. These donated items consisted of \$125,000 of rent free use of homes and offices, \$5,000 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, Harrison and Riverside.

GCI received the donated services of volunteers totaling approximately 3,494 and 4,238 hours in 2011 and 2010, 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.

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