

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2013 and 2012

Independent Auditors' Report**The Board of Directors
Good Counsel, Inc.**

We have audited the accompanying consolidated financial statements of Good Counsel, Inc., which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2013 and 2012, 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, LLP

April 15, 2014

Good Counsel, Inc.

Consolidated Statements of Financial Position

| | December 31, | |
|---------------------------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,655,823 | \$ 1,334,435 |
| Contributions receivable | 323,674 | 394,103 |
| Investments | 83,573 | 77,038 |
| Prepaid expenses | 2,720 | 3,362 |
| Property and equipment, net | <u>742,635</u> | <u>748,309</u> |
| | <u>\$ 2,808,425</u> | <u>\$ 2,557,247</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 176,719 | \$ 165,728 |
| Due to annuitant | <u>59,483</u> | <u>67,305</u> |
| Total Liabilities | <u>236,202</u> | <u>233,033</u> |
| Net Assets | | |
| Unrestricted | 1,829,944 | 1,542,376 |
| Temporarily restricted | <u>742,279</u> | <u>781,838</u> |
| Total Net Assets | <u>2,572,223</u> | <u>2,324,214</u> |
| | <u>\$ 2,808,425</u> | <u>\$ 2,557,247</u> |

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

| | Year Ended December 31, 2013 | | | Year Ended December 31, 2012 | | |
|---|---------------------------------|---------------------------|---------------------|---------------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUE, GAINS AND OTHER SUPPORT | | | | | | |
| Public support | \$ 3,411,486 | \$ 594,708 | \$ 4,006,194 | \$ 3,077,605 | \$ 495,724 | 3,573,329 |
| Program service revenues | 64,687 | - | 64,687 | 76,363 | - | 76,363 |
| Grants | 129,080 | - | 129,080 | 145,594 | - | 145,594 |
| Donated goods and services | 95,100 | - | 95,100 | 63,900 | - | 63,900 |
| Dividends and interest | 375 | 32 | 407 | 491 | - | 491 |
| Net assets released from restrictions | <u>634,299</u> | <u>(634,299)</u> | <u>-</u> | <u>499,391</u> | <u>(499,391)</u> | <u>-</u> |
| Total Revenue, Gains and Other Support | <u>4,335,027</u> | <u>(39,559)</u> | <u>4,295,468</u> | <u>3,863,344</u> | <u>(3,667)</u> | <u>3,859,677</u> |
| EXPENSES | | | | | | |
| Program services | 3,221,957 | - | 3,221,957 | 3,173,340 | - | 3,173,340 |
| Management and general | 426,995 | - | 426,995 | 437,491 | - | 437,491 |
| Fundraising | <u>412,982</u> | <u>-</u> | <u>412,982</u> | <u>415,979</u> | <u>-</u> | <u>415,979</u> |
| Total Expenses | <u>4,061,934</u> | <u>-</u> | <u>4,061,934</u> | <u>4,026,810</u> | <u>-</u> | <u>4,026,810</u> |
| Change in Net Assets from Operating Activities | 273,093 | (39,559) | 233,534 | (163,466) | (3,667) | (167,133) |
| NONOPERATING ACTIVITIES | | | | | | |
| Net realized and unrealized gain (loss) on investments | <u>14,475</u> | <u>-</u> | <u>14,475</u> | <u>8,957</u> | <u>-</u> | <u>8,957</u> |
| Change in Net Assets | 287,568 | (39,559) | 248,009 | (154,509) | (3,667) | (158,176) |
| NET ASSETS | | | | | | |
| Beginning of year | <u>1,542,376</u> | <u>781,838</u> | <u>2,324,214</u> | <u>1,696,885</u> | <u>785,505</u> | <u>2,482,390</u> |
| End of year | <u>\$ 1,829,944</u> | <u>\$ 742,279</u> | <u>\$ 2,572,223</u> | <u>\$ 1,542,376</u> | <u>\$ 781,838</u> | <u>\$ 2,324,214</u> |

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

| | Year Ended December 31, | | | | Year Ended December 31, | | | |
|--|----------------------------|------------------------------|--------------------------|----------------------------|----------------------------|------------------------------|--------------------------|----------------------------|
| | 2013 | | | | 2012 | | | |
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| EXPENSES | | | | | | | | |
| Salaries, payroll taxes and employee benefits | \$ 2,240,556 | \$ 202,498 | \$ 202,498 | \$ 2,645,552 | \$ 2,356,261 | \$ 173,300 | \$ 173,320 | \$ 2,702,881 |
| Rent, utilities and building maintenance | 260,486 | 5,113 | 5,113 | 270,712 | 228,343 | 6,593 | 6,593 | 241,529 |
| Telephone | 31,122 | 3,302 | 3,302 | 37,725 | 35,722 | 3,394 | 3,394 | 42,510 |
| Equipment rental and maintenance | 19,954 | 5,319 | 5,319 | 30,592 | 22,323 | 4,354 | 4,354 | 31,031 |
| Insurance | 116,103 | 7,466 | 7,466 | 131,035 | 99,031 | 15,274 | 15,274 | 129,579 |
| Printing, publications and advertising | 150,188 | 35,591 | 38,246 | 224,025 | 67,710 | 61,320 | 61,320 | 190,350 |
| Postage and shipping | 70,852 | 19,283 | 19,283 | 109,418 | 73,636 | 19,611 | 19,611 | 112,858 |
| Supplies and food | 71,682 | 28,367 | 31,320 | 131,369 | 58,808 | 40,890 | 40,890 | 140,588 |
| Auto and travel | 29,354 | 4,476 | 4,476 | 38,306 | 36,785 | 5,352 | 5,352 | 47,489 |
| Professional fees and consulting | 26,192 | 91,405 | 69,905 | 187,502 | 2,200 | 58,468 | 36,867 | 97,535 |
| Direct assistance programs | 15,372 | - | - | 15,372 | 13,168 | - | - | 13,168 |
| Depreciation and amortization | 80,392 | - | - | 80,392 | 83,927 | - | - | 83,927 |
| Other expenses | 56,304 | 24,175 | 26,054 | 106,534 | 49,026 | 48,935 | 49,004 | 146,965 |
| Donated goods and services | 53,400 | - | - | 53,400 | 46,400 | - | - | 46,400 |
| Total Expenses | <u>\$ 3,221,957</u> | <u>\$ 426,995</u> | <u>\$ 412,982</u> | <u>\$ 4,061,934</u> | <u>\$ 3,173,340</u> | <u>\$ 437,491</u> | <u>\$ 415,979</u> | <u>\$ 4,026,810</u> |

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

| | December 31, | |
|--|--------------|--------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 248,009 | \$ (158,176) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 80,392 | 83,927 |
| Net realized and unrealized loss (gain) on investments | (14,475) | (8,957) |
| Donation of furniture and fixtures | (41,700) | (17,500) |
| Change in operating assets and liabilities | | |
| Contributions receivable | 70,429 | (108,646) |
| Prepaid expenses | 642 | 7,676 |
| Accounts payable and accrued expenses | 10,991 | (46,620) |
| Due to annuitant | (7,822) | 3,566 |
| Net Cash from Operating Activities | 346,466 | (244,730) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (33,018) | (14,040) |
| Purchase of investments | (478,973) | (142,918) |
| Sale of investments | 486,913 | 151,962 |
| Net Cash from Investing Activities | (25,078) | (4,996) |
| Net Change in Cash and Cash Equivalents | 321,388 | (249,726) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 1,334,435 | 1,584,161 |
| End of year | \$ 1,655,823 | \$ 1,334,435 |
| SUPPLEMENTAL CASH FLOW DISCLOSURES | | |
| Non-cash investing activities | | |
| Furniture and fixtures donated | \$ 17,500 | \$ 16,500 |

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2013 and 2012

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, and 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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, 2013 and 2012

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, 2013.

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 U.S. GAAP 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, 2013 and 2012

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 2010.

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 15, 2014.

3. Allocation of Joint Costs

In 2013 and 2012, 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 \$439,246 and \$454,020 of joint costs for 2013 and 2012, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------------|-------------------|-------------------|
| Program Services | \$ 261,554 | \$ 163,562 |
| Management and General | 84,402 | 145,194 |
| Fundraising | <u>93,290</u> | <u>145,264</u> |
| Total | <u>\$ 439,246</u> | <u>\$ 454,020</u> |

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2013 and 2012

4. Investments

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

| | <u>2013</u> | <u>2012</u> |
|---------------------------|-------------|-------------|
| Level 2 | | |
| Hartford Variable Annuity | \$ 83,573 | \$ 77,038 |

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>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Fixtures and equipment | \$ 603,227 | \$ 528,509 |
| Leasehold improvements | 429,210 | 429,210 |
| Building | <u>577,000</u> | <u>577,000</u> |
| | 1,609,437 | 1,534,719 |
| Less accumulated depreciation and amortization | <u>(866,802)</u> | <u>(786,410)</u> |
| | <u>\$ 742,635</u> | <u>\$ 748,309</u> |

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2013 and 2012

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. GCI stopped paying rent for Staten Island in August 2012 due to the closing of that house. 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 \$102,489 and \$104,196 for 2013 and 2012. 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, 2013 required under the operating lease agreements are payable as follows:

| | |
|------|-----------|
| 2014 | \$ 35,282 |
| 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>2013</u> | <u>2012</u> |
|----------------------|-------------------|-------------------|
| Daystar Program | \$ 266,092 | \$ 266,060 |
| South Jersey Program | 470,728 | 500,979 |
| Lumina | <u>5,459</u> | <u>14,799</u> |
| | <u>\$ 742,279</u> | <u>\$ 781,838</u> |

Net assets were released in 2013 and 2012 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

| | <u>2013</u> | <u>2012</u> |
|----------------------|-------------------|-------------------|
| Daystar Program | \$ 4,185 | \$ 2,363 |
| South Jersey Program | 620,774 | 493,266 |
| Lumina | <u>9,340</u> | <u>3,762</u> |
| | <u>\$ 634,299</u> | <u>\$ 499,391</u> |

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2013 and 2012

9. Donated Goods and Services

GCI received donated goods in 2013 and 2012 with an estimated value of \$95,100 and \$63,900. These donated items consisted of \$6,000 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 4,216 and 4,292 hours in 2013 and 2012. 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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