

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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

May 8, 2015

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,062,371	\$ 1,655,823
Contributions receivable	308,383	323,674
Investments	85,937	83,573
Deposit	96,250	-
Prepaid expenses	12,172	2,720
Property and equipment, net	<u>697,146</u>	<u>742,635</u>
	<u>\$ 3,262,259</u>	<u>\$ 2,808,425</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 200,710	\$ 176,719
Due to annuitant	<u>56,520</u>	<u>59,483</u>
Total Liabilities	<u>257,230</u>	<u>236,202</u>
Net Assets		
Unrestricted	2,263,050	1,829,944
Temporarily restricted	<u>741,979</u>	<u>742,279</u>
Total Net Assets	<u>3,005,029</u>	<u>2,572,223</u>
	<u>\$ 3,262,259</u>	<u>\$ 2,808,425</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31,			Year Ended December 31,		
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 3,860,548	\$ 574,806	\$ 4,435,354	\$ 3,411,486	\$ 594,708	4,006,194
Program service revenues	68,403	-	68,403	64,687	-	64,687
Grants	198,405	-	198,405	129,080	-	129,080
Donated goods and services	119,427	-	119,427	95,100	-	95,100
Dividends and interest	298	27	325	375	32	407
Net assets released from restrictions	575,133	(575,133)	-	634,299	(634,299)	-
Total Revenue, Gains and Other Support	<u>4,822,214</u>	<u>(300)</u>	<u>4,821,914</u>	<u>4,335,027</u>	<u>(39,559)</u>	<u>4,295,468</u>
EXPENSES						
Program services	3,433,091	-	3,433,091	3,221,957	-	3,221,957
Management and general	491,875	-	491,875	426,995	-	426,995
Fundraising	468,148	-	468,148	412,982	-	412,982
Total Expenses	<u>4,393,114</u>	<u>-</u>	<u>4,393,114</u>	<u>4,061,934</u>	<u>-</u>	<u>4,061,934</u>
Change in Net Assets from Operating Activities	429,100	(300)	428,800	273,093	(39,559)	233,534
NONOPERATING ACTIVITIES						
Net realized and unrealized gain (loss) on investments	4,006	-	4,006	14,475	-	14,475
Change in Net Assets	433,106	(300)	432,806	287,568	(39,559)	248,009
NET ASSETS						
Beginning 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>
End of year	<u>\$ 2,263,050</u>	<u>\$ 741,979</u>	<u>\$ 3,005,029</u>	<u>\$ 1,829,944</u>	<u>\$ 742,279</u>	<u>\$ 2,572,223</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,355,787	\$ 214,002	\$ 214,003	\$ 2,783,792	\$ 2,240,556	\$ 202,498	\$ 202,498	\$ 2,645,552
Rent, utilities and building maintenance	263,040	5,631	5,631	274,302	260,486	5,113	5,113	270,712
Telephone	32,154	2,890	2,890	37,934	31,121	3,302	3,302	37,725
Equipment rental and maintenance	17,795	7,273	7,273	32,341	19,954	5,319	5,319	30,592
Insurance	110,399	8,544	8,544	127,487	116,103	7,466	7,466	131,035
Printing, publications and advertising	177,619	61,216	61,216	300,051	150,188	35,591	38,246	224,025
Postage and shipping	99,601	27,621	27,621	154,843	70,852	19,283	19,283	109,418
Supplies and food	81,508	28,632	28,632	138,772	71,682	28,367	31,320	131,369
Auto and travel	32,395	8,330	8,330	49,055	29,354	4,476	4,476	38,306
Professional fees and consulting	26,549	90,134	68,134	184,817	26,192	91,405	69,905	187,502
Direct assistance programs	14,398	-	-	14,398	15,372	-	-	15,372
Depreciation and amortization	93,838	-	-	93,838	80,392	-	-	80,392
Other expenses	36,331	37,602	35,874	109,807	56,305	24,175	26,054	106,534
Donated goods and services	91,677	-	-	91,677	53,400	-	-	53,400
Total Expenses	\$ 3,433,091	\$ 491,875	\$ 468,148	\$ 4,393,114	\$ 3,221,957	\$ 426,995	\$ 412,982	\$ 4,061,934

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 432,806	\$ 248,009
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	93,838	80,392
Net realized and unrealized loss (gain) on investments	(4,006)	(14,475)
Donation of furniture and fixtures	(27,750)	(41,700)
Change in operating assets and liabilities		
Contributions receivable	15,291	70,429
Prepaid expenses	(9,452)	642
Accounts payable and accrued expenses	23,992	10,991
Due to annuitant	(2,963)	(7,822)
Net Cash from Operating Activities	521,756	346,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(20,600)	(33,018)
Purchase of investments	(82,039)	(478,973)
Sale of investments	83,681	486,913
Deposit on purchase of building	(96,250)	-
Net Cash from Investing Activities	(115,208)	(25,078)
Net Change in Cash and Cash Equivalents	406,548	321,388
CASH AND CASH EQUIVALENTS		
Beginning of year	1,655,823	1,334,435
End of year	\$ 2,062,371	\$ 1,655,823
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Furniture and fixtures donated	\$ 27,750	\$ 17,500

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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, 2014 and 2013

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, 2014.

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, 2014 and 2013

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.

Grants

GCI recognizes grant revenue awarded by foundations as the qualifying expenses stipulated in the grant agreement have been incurred.

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 2011.

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 May 8, 2015.

3. Allocation of Joint Costs

In 2014 and 2013, 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 \$543,490 and \$439,246 of joint costs for 2014 and 2013, which are not specifically attributable to particular components of the activities.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2014 and 2013

3. Allocation of Joint Costs (*continued*)

These joint costs were allocated as follows:

	<u>2014</u>	<u>2013</u>
Program Services	\$ 293,612	\$ 261,554
Management and General	124,939	84,402
Fundraising	<u>124,939</u>	<u>93,290</u>
Total	<u>\$ 543,490</u>	<u>\$ 439,246</u>

4. Investments

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

	<u>2014</u>	<u>2013</u>
Level 2		
Hartford Variable Annuity	\$ 85,937	\$ 83,573

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>2014</u>	<u>2013</u>
Fixtures and equipment	\$ 647,576	\$ 603,227
Leasehold improvements	336,960	429,210
Building	<u>673,250</u>	<u>577,000</u>
	1,657,786	1,609,437
Less accumulated depreciation and amortization	<u>(960,640)</u>	<u>(866,802)</u>
	<u>\$ 697,146</u>	<u>\$ 742,635</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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 started paying rent for Staten Island in September 2014. 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 \$105,388 and \$102,489 for 2014 and 2013. 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, 2014 required under the operating lease agreements are payable as follows:

2015	\$ 9,102
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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>2014</u>	<u>2013</u>
Daystar Program	\$ 266,145	\$ 266,092
South Jersey Program	470,775	470,728
Lumina	<u>5,059</u>	<u>5,459</u>
	<u>\$ 741,979</u>	<u>\$ 742,279</u>

Net assets were released in 2014 and 2013 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2014</u>	<u>2013</u>
Daystar Program	\$ 25,863	\$ 4,185
South Jersey Program	548,870	620,774
Lumina	<u>400</u>	<u>9,340</u>
	<u>\$ 575,133</u>	<u>\$ 634,299</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2014 and 2013

9. Donated Goods and Services

GCI received donated goods in 2014 and 2013 with an estimated value of \$119,427 and \$95,100. 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 9,637 and 4,216 hours in 2014 and 2013. 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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