

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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 from 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. as of December 31, 2015 and 2014, 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.

PKF O'Connor Davies, LLP

April 7, 2016

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,925,567	\$ 2,062,371
Contributions receivable	335,966	308,383
Investments	75,471	85,937
Deposit	-	96,250
Prepaid expenses	52,873	12,172
Property and equipment, net	<u>1,068,594</u>	<u>697,146</u>
	<u>\$ 3,458,471</u>	<u>\$ 3,262,259</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 213,805	\$ 200,710
Due to annuitant	<u>49,788</u>	<u>56,520</u>
Total Liabilities	<u>263,593</u>	<u>257,230</u>
Net Assets		
Unrestricted	2,812,991	2,263,050
Temporarily restricted	<u>381,887</u>	<u>741,979</u>
Total Net Assets	<u>3,194,878</u>	<u>3,005,029</u>
	<u>\$ 3,458,471</u>	<u>\$ 3,262,259</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31,			Year Ended December 31,		
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 4,345,917	\$ 7,265	\$ 4,353,182	\$ 3,860,548	\$ 574,806	4,435,354
Program service revenues	49,619	-	49,619	68,403	-	68,403
Grants	304,018	-	304,018	198,405	-	198,405
Donated goods and services	114,641	-	114,641	119,427	-	119,427
Dividends and interest	552	110	662	298	27	325
Net assets released from restrictions	367,467	(367,467)	-	575,133	(575,133)	-
Total Revenue, Gains and Other Support	<u>5,182,214</u>	<u>(360,092)</u>	<u>4,822,122</u>	<u>4,822,214</u>	<u>(300)</u>	<u>4,821,914</u>
EXPENSES						
Program services	3,685,417	-	3,685,417	3,433,091	-	3,433,091
Management and general	487,723	-	487,723	491,875	-	491,875
Fundraising	460,621	-	460,621	468,148	-	468,148
Total Expenses	<u>4,633,761</u>	<u>-</u>	<u>4,633,761</u>	<u>4,393,114</u>	<u>-</u>	<u>4,393,114</u>
Change in Net Assets from Operating Activities	548,453	(360,092)	188,361	429,100	(300)	428,800
NONOPERATING ACTIVITIES						
Net realized and unrealized gain on investments	1,488	-	1,488	4,006	-	4,006
Change in Net Assets	549,941	(360,092)	189,849	433,106	(300)	432,806
NET ASSETS						
Beginning 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>
End of year	<u>\$ 2,812,991</u>	<u>\$ 381,887</u>	<u>\$ 3,194,878</u>	<u>\$ 2,263,050</u>	<u>\$ 741,979</u>	<u>\$ 3,005,029</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,630,331	\$ 178,362	\$ 178,362	\$ 2,987,055	\$ 2,355,787	\$ 214,002	\$ 214,003	\$ 2,783,792
Rent, utilities and building maintenance	241,115	6,037	6,037	253,189	263,040	5,631	5,631	274,302
Telephone	35,631	2,694	2,694	41,019	32,154	2,890	2,890	37,934
Equipment rental and maintenance	25,614	7,570	7,570	40,754	17,795	7,273	7,273	32,341
Insurance	101,514	15,951	15,951	133,416	110,399	8,544	8,544	127,487
Printing, publications and advertising	161,777	82,378	82,378	326,533	177,619	61,216	61,216	300,051
Postage and shipping	103,695	33,534	33,534	170,763	99,601	27,621	27,621	154,843
Supplies and food	88,410	26,143	26,143	140,696	81,508	28,632	28,632	138,772
Auto and travel	27,699	4,703	4,703	37,105	32,395	8,330	8,330	49,055
Professional fees and consulting	33,603	98,053	74,853	206,509	26,549	90,134	68,134	184,817
Direct assistance programs	11,313	-	-	11,313	14,398	-	-	14,398
Depreciation and amortization	98,479	-	-	98,479	93,838	-	-	93,838
Other expenses	36,595	32,298	28,396	97,289	36,331	37,602	35,874	109,807
Donated goods and services	89,641	-	-	89,641	91,677	-	-	91,677
Total Expenses	\$ 3,685,417	\$ 487,723	\$ 460,621	\$ 4,633,761	\$ 3,433,091	\$ 491,875	\$ 468,148	\$ 4,393,114

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 189,849	\$ 432,806
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	98,479	93,838
Net realized and unrealized gain on investments	(1,488)	(4,006)
Donation of furniture and fixtures	(25,000)	(27,750)
Change in operating assets and liabilities		
Contributions receivable	(27,583)	15,291
Prepaid expenses	(40,701)	(9,452)
Accounts payable and accrued expenses	13,096	23,992
Due to annuitant	(6,732)	(2,963)
Net Cash from Operating Activities	199,920	521,756
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(348,677)	(20,600)
Purchase of investments	(65,633)	(82,039)
Sale of investments	77,586	83,681
Deposit on purchase of building	-	(96,250)
Net Cash from Investing Activities	(336,724)	(115,208)
Net Change in Cash and Cash Equivalents	(136,804)	406,548
 CASH AND CASH EQUIVALENTS		
Beginning of year	2,062,371	1,655,823
End of year	\$ 1,925,567	\$ 2,062,371
 SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Furniture and fixtures donated	\$ 25,000	\$ 27,750

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014

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, 2015.

Cash Equivalents

For the purpose of the statements of cash flows, GCI considers all highly liquid 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, 2015 and 2014

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 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 2012.

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 7, 2015.

3. Allocation of Joint Costs

In 2015 and 2014, 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 \$533,887 and \$543,490 of joint costs for 2015 and 2014, which are not specifically attributable to particular components of the activities.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2015 and 2014

3. Allocation of Joint Costs (*continued*)

These joint costs were allocated as follows:

	<u>2015</u>	<u>2014</u>
Program Services	\$ 268,585	\$ 293,612
Management and General	132,651	124,939
Fundraising	<u>132,651</u>	<u>124,939</u>
Total	<u>\$ 533,887</u>	<u>\$ 543,490</u>

4. Investments

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

	<u>2015</u>	<u>2014</u>
Level 2		
Hartford Variable Annuity	\$ 75,471	\$ 85,937

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>2015</u>	<u>2014</u>
Fixtures and equipment	\$ 683,236	\$ 647,576
Leasehold improvements	771,227	433,210
Building	<u>673,250</u>	<u>577,000</u>
	2,127,713	1,657,786
Less accumulated depreciation and amortization	<u>(1,059,119)</u>	<u>(960,640)</u>
	<u>\$ 1,068,594</u>	<u>\$ 697,146</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2015 and 2014

7. Operating Leases

GCI leases its Staten Island and Poughkeepsie facilities under long term operating arrangements. These agreements expire on May 28, 2017 and March 31, 2016. These agreements generally require the payment of insurance and repairs and maintenance. The building in Riverside is owned by GCI and all other facilities are rented on a month to month basis. Rent expense totaled \$80,503 and \$105,388 for 2015 and 2014. 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, 2015 required under the operating lease agreements are payable as follows: 2016 - \$11,077.

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>2015</u>	<u>2014</u>
Daystar Program	\$ 236,171	\$ 266,145
South Jersey Program	141,832	470,775
Lumina	<u>3,884</u>	<u>5,059</u>
	<u>\$ 381,887</u>	<u>\$ 741,979</u>

Net assets were released in 2015 and 2014 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2015</u>	<u>2014</u>
Daystar Program	\$ 37,292	\$ 25,863
South Jersey Program	329,000	548,870
Lumina	<u>1,175</u>	<u>400</u>
	<u>\$ 367,467</u>	<u>\$ 575,133</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2015 and 2014

9. Donated Goods and Services

GCI received donated goods in 2015 and 2014 with an estimated value of \$114,641 and \$119,427. These donated items consisted of \$6,000 of rent free use of homes and offices, \$7,000 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 38,597 and 9,637 hours in 2015 and 2014. 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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