

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2016 and 2015



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, 2016 and 2015, 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, 2016 and 2015, 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

May 2, 2017

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 3,096,360	\$ 1,925,567
Contributions receivable	483,415	335,966
Investments	70,828	75,471
Prepaid expenses	29,871	52,873
Property and equipment, net	<u>1,087,915</u>	<u>1,068,594</u>
	<u>\$ 4,768,389</u>	<u>\$ 3,458,471</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 374,594	\$ 213,805
Due to annuitant	<u>49,832</u>	<u>49,788</u>
Total Liabilities	<u>424,426</u>	<u>263,593</u>
Net Assets		
Unrestricted	3,860,904	2,812,991
Temporarily restricted	<u>483,059</u>	<u>381,887</u>
Total Net Assets	<u>4,343,963</u>	<u>3,194,878</u>
	<u>\$ 4,768,389</u>	<u>\$ 3,458,471</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31,			Year Ended December 31,		
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 5,595,280	\$ 242,188	\$ 5,837,468	\$ 4,345,917	\$ 7,265	4,353,182
Program service revenues	130,903	-	130,903	49,619	-	49,619
Grants	234,160	-	234,160	304,018	-	304,018
Donated goods and services	162,188	-	162,188	114,641	-	114,641
Dividends and interest	2,733	1,244	3,977	552	110	662
Net assets released from restrictions	142,260	(142,260)	-	367,467	(367,467)	-
Total Revenue, Gains and Other Support	<u>6,267,524</u>	<u>101,172</u>	<u>6,368,696</u>	<u>5,182,214</u>	<u>(360,092)</u>	<u>4,822,122</u>
EXPENSES						
Program services	3,839,064	-	3,839,064	3,685,417	-	3,685,417
Management and general	407,381	-	407,381	487,723	-	487,723
Fundraising	976,308	-	976,308	460,621	-	460,621
Total Expenses	<u>5,222,752</u>	<u>-</u>	<u>5,222,752</u>	<u>4,633,761</u>	<u>-</u>	<u>4,633,761</u>
Change in Net Assets from Operating Activities	1,044,772	101,172	1,145,944	548,453	(360,092)	188,361
NONOPERATING ACTIVITIES						
Net realized and unrealized gain on investments	3,141	-	3,141	1,488	-	1,488
Change in Net Assets	1,047,913	101,172	1,149,085	549,941	(360,092)	189,849
NET ASSETS						
Beginning 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>
End of year	<u>\$ 3,860,904</u>	<u>\$ 483,059</u>	<u>\$ 4,343,963</u>	<u>\$ 2,812,991</u>	<u>\$ 381,887</u>	<u>\$ 3,194,878</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,744,651	\$ 303,745	\$ 278,385	\$ 3,326,781	\$ 2,630,331	\$ 178,362	\$ 178,362	\$ 2,987,055
Rent, utilities and building maintenance	251,157	1,200	10,922	263,279	241,115	6,037	6,037	253,189
Telephone	33,546	3,766	3,766	41,078	35,631	2,694	2,694	41,019
Equipment rental and maintenance	22,410	2,058	2,357	26,825	25,614	7,570	7,570	40,754
Insurance	125,237	7,105	14,210	146,552	101,514	15,951	15,951	133,416
Printing, publications and advertising	117,262	1,059	484,332	602,653	161,777	82,378	82,378	326,533
Postage and shipping	3,730	8,737	8,737	21,204	103,695	33,534	33,534	170,763
Supplies and food	68,689	2,752	2,751	74,192	88,410	26,143	26,143	140,696
Auto and travel	34,174	3,578	7,155	44,906	27,699	4,703	4,703	37,105
Professional fees and consulting	68,970	45,720	137,657	252,347	33,603	98,053	74,853	206,509
Direct assistance programs	122,375	-	-	122,375	11,313	-	-	11,313
Depreciation and amortization	96,512	-	-	96,512	98,479	-	-	98,479
Other expenses	11,550	27,661	26,035	65,246	36,595	32,298	28,396	97,289
Donated goods and services	138,802	-	-	138,802	89,641	-	-	89,641
Total Expenses	\$ 3,839,064	\$ 407,381	\$ 976,308	\$ 5,222,752	\$ 3,685,417	\$ 487,723	\$ 460,621	\$ 4,633,761

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,149,085	\$ 189,849
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	96,512	98,479
Net realized and unrealized gain on investments	(3,141)	(1,488)
Donation of furniture and fixtures	(23,386)	(25,000)
Change in operating assets and liabilities		
Contributions receivable	(147,449)	(27,583)
Prepaid expenses	23,002	(40,701)
Accounts payable and accrued expenses	160,789	13,096
Due to annuitant	44	(6,732)
Net Cash from Operating Activities	1,255,456	199,920
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(92,447)	(348,677)
Purchase of investments	(97,980)	(65,633)
Sale of investments	105,764	77,586
Net Cash from Investing Activities	(84,663)	(336,724)
Net Change in Cash and Cash Equivalents	1,170,793	(136,804)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,925,567	2,062,371
End of year	\$ 3,096,360	\$ 1,925,567
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Furniture and fixtures donated	\$ 23,386	\$ 25,000

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2016 and 2015

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 Mt. Vernon, 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.

Subsequent to year end, GCI entered into an agreement with Mary's Shelter to help with the operation of their home in Elberta, AL.

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.

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 is 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, 2016 and 2015

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, 2016.

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, 2016 and 2015

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 2013.

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 2, 2017.

3. Allocation of Joint Costs

In 2016 and 2015, 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 \$575,972 and \$533,887 of joint costs for 2016 and 2015, which are not specifically attributable to particular components of the activities.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2016 and 2015

3. Allocation of Joint Costs (continued)

These joint costs were allocated as follows:

	<u>2016</u>	<u>2015</u>
Program Services	\$ 107,602	\$ 268,585
Management and General	-	132,651
Fundraising	<u>468,370</u>	<u>132,651</u>
Total	<u>\$ 575,972</u>	<u>\$ 533,887</u>

4. Investments

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

	<u>2016</u>	<u>2015</u>
Level 2		
Hartford Variable Annuity	<u>\$ 70,828</u>	<u>\$ 75,471</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>2016</u>	<u>2015</u>
Fixtures and equipment	\$ 710,330	\$ 683,236
Leasehold improvements	494,883	478,383
Building	<u>966,094</u>	<u>966,094</u>
	2,171,307	2,127,713
Less accumulated depreciation and amortization	<u>(1,083,392)</u>	<u>(1,059,119)</u>
	<u>\$ 1,087,915</u>	<u>\$ 1,068,594</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2016 and 2015

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, 2018. 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 \$81,767 and \$80,503 for 2016 and 2015. 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, 2016 required under the operating lease agreements are payable as follows: 2017 - \$19,155.

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>2016</u>	<u>2015</u>
Daystar Program	\$ 342,414	\$ 236,171
South Jersey Program	140,645	141,832
Lumina	<u>-</u>	<u>3,884</u>
	<u>\$ 483,059</u>	<u>\$ 381,887</u>

Net assets were released in 2016 and 2015 from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2016</u>	<u>2015</u>
Daystar Program	\$ 136,726	\$ 37,292
South Jersey Program	1,650	329,000
Lumina	<u>3,884</u>	<u>1,175</u>
	<u>\$ 142,260</u>	<u>\$ 367,467</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2016 and 2015

9. Donated Goods and Services

GCI received donated goods in 2016 and 2015 with an estimated value of \$162,188 and \$114,641. These donated items consisted of \$6,000 of rent free use of homes and offices, \$10,000 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, Mt. Vernon and Riverside.

GCI received the donated services of volunteers totaling approximately 41,234 and 38,597 hours in 2016 and 2015. These hours do not meet the criteria for recognition under U.S. GAAP. 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. 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 December 31, 2016, \$1,746,332 of the Company's cash and cash equivalents was in excess of the federal deposit insurance. GCI has not experienced any losses on its cash deposits.

11. Subsequent Events

On January 25, 2017, GCI entered into an agreement to help Mary's Shelter of Elberta, AL to operate what is now the sixth home to help homeless, pregnant and parenting mothers and babies.

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