

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 Good Counsel, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

November 13, 2019

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,279,835	\$ 2,196,297
Contributions receivable	912,253	394,519
Due from related party, net	485,000	275,000
Investments	58,278	75,147
Prepaid expenses	5,639	10,372
Security deposit	70,661	70,597
Property and equipment, net	<u>1,141,007</u>	<u>1,170,369</u>
	<u>\$ 3,952,673</u>	<u>\$ 4,192,301</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 304,322	\$ 301,559
Due to annuitant	<u>48,367</u>	<u>47,768</u>
Total Liabilities	<u>352,689</u>	<u>349,327</u>
 Net Assets		
Without donor restrictions	3,186,017	3,389,421
With donor restrictions	<u>413,967</u>	<u>453,553</u>
Total Net Assets	<u>3,599,984</u>	<u>3,842,974</u>
	<u>\$ 3,952,673</u>	<u>\$ 4,192,301</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 4,657,827	\$ 48,238	\$ 4,706,065	\$ 4,068,990	\$ 98,194	\$ 4,167,184
Program service revenues	146,602	-	146,602	163,754	-	163,754
Program service revenue - related party	485,000	-	485,000	300,000	-	300,000
Grants	250,194	-	250,194	232,595	-	232,595
Donated goods and services	208,215	-	208,215	136,058	-	136,058
Dividends and interest	18,295	2,525	20,820	15,372	1,140	16,512
Net assets released from restrictions	90,349	(90,349)	-	128,840	(128,840)	-
Total Revenue, Gains and Other Support	<u>5,856,482</u>	<u>(39,586)</u>	<u>5,816,896</u>	<u>5,045,609</u>	<u>(29,506)</u>	<u>5,016,103</u>
EXPENSES						
Program services	4,356,267	-	4,356,267	3,775,437	-	3,775,437
Management and general	572,445	-	572,445	617,165	-	617,165
Fundraising	1,125,842	-	1,125,842	1,133,317	-	1,133,317
Total Expenses	<u>6,054,554</u>	<u>-</u>	<u>6,054,554</u>	<u>5,525,919</u>	<u>-</u>	<u>5,525,919</u>
Change in Net Assets from Operating Activities	(198,072)	(39,586)	(237,658)	(480,310)	(29,506)	(509,816)
NONOPERATING ACTIVITIES						
Net realized and unrealized gain (loss) on investments	(5,332)	-	(5,332)	8,827	-	8,827
Change in Net Assets	<u>(203,404)</u>	<u>(39,586)</u>	<u>(242,990)</u>	<u>(471,483)</u>	<u>(29,506)</u>	<u>(500,989)</u>
NET ASSETS						
Beginning of year	3,389,421	453,553	3,842,974	3,860,904	483,059	4,343,963
End of year	<u>\$ 3,186,017</u>	<u>\$ 413,967</u>	<u>\$ 3,599,984</u>	<u>\$ 3,389,421</u>	<u>\$ 453,553</u>	<u>\$ 3,842,974</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,990,507	\$ 317,490	\$ 606,733	\$ 3,914,730	\$ 2,728,125	\$ 499,767	\$ 449,818	\$ 3,677,710
Rent, utilities and building maintenance	304,314	8,393	8,393	321,100	295,813	7,871	7,871	311,555
Telephone	35,803	3,769	3,769	43,341	34,722	4,535	4,535	43,792
Equipment rental and maintenance	17,570	7,060	7,060	31,690	41,241	4,560	4,560	50,361
Insurance	124,292	8,214	8,214	140,720	130,269	16,775	16,775	163,819
Printing, publications and advertising	146,026	89,047	150,946	386,019	77,086	784	335,737	413,607
Postage and shipping	14,673	66,028	66,028	146,729	33,975	10,920	117,597	162,492
Supplies and food	67,549	2,895	2,895	73,339	51,757	2,196	5,688	59,641
Auto and travel	53,448	2,799	2,799	59,046	47,288	7,086	7,086	61,460
Professional fees and consulting	61,114	37,984	216,713	315,811	50,456	33,491	151,966	235,913
Direct assistance programs	29,368	-	-	29,368	21,222	-	-	21,222
Depreciation and amortization	139,207	-	-	139,207	119,975	-	-	119,975
Other expenses	16,741	28,766	52,292	97,799	18,450	29,180	31,684	79,314
Reserve on related party receivable	200,000	-	-	200,000	-	-	-	-
Donated goods and services	155,655	-	-	155,655	125,058	-	-	125,058
Total Expenses	\$ 4,356,267	\$ 572,445	\$ 1,125,842	\$ 6,054,554	\$ 3,775,437	\$ 617,165	\$ 1,133,317	\$ 5,525,919

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (242,990)	\$ (500,989)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	139,207	119,975
Net realized and unrealized loss (gain) on investments	5,332	(8,827)
Donation of furniture and fixtures	(52,560)	(11,000)
Change in operating assets and liabilities		
Contributions receivable	(517,734)	88,896
Due from related party	(210,000)	(275,000)
Prepaid expenses	4,733	19,499
Security deposit	(64)	(108)
Accounts payable and accrued expenses	2,763	(73,035)
Due to annuitant	599	(2,064)
Net Cash from Operating Activities	(870,714)	(642,653)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(57,285)	(191,429)
Purchase of investments	(101,567)	(76,529)
Sale of investments	106,404	74,537
Distributions to annuitants	6,700	6,500
Net Cash from Investing Activities	(45,748)	(186,921)
Net Change in Cash and Cash Equivalents	(916,462)	(829,574)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,196,297	3,025,871
End of year	\$ 1,279,835	\$ 2,196,297
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing activities		
Furniture and fixtures donated	\$ 52,560	\$ 11,000

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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.

On January 25, 2017, GCI entered into an agreement to help Mary's Shelter of Elberta, AL to operate with the operation of their home in Elberta, AL.

On July 1, 2017, GCI entered into a Memorandum of Understanding whereby GCI is managing the home for mothers and babies under the care of Malta House.

GCI maintains administrative offices in Poughkeepsie, Spring Valley, the Bronx, New York, and Newark, 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 and babies.

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, which is 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, 2018 and 2017

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

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor – imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as following:

- Without donor restrictions – net assets not subject to donor-imposed stipulations and therefore are expendable for operating purposes
- With donor restrictions – net assets subject to donor-imposed stipulations that would be met by actions of the Organization and/or by the passage of time or net assets to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the incomes earned on related investments for general or donor-specified purposes.

Change in Accounting Principle

The Organization adopted new U.S. GAAP guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Organization to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net asset into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosure relating to (1) the liquidity of financial assets, and (2) expenses by both their nature and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets were combined as net assets with donor restrictions.

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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 the 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.

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, with donor restriction net assets are reclassified to without donor restriction 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 without donor restriction.

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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

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 2015.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

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 November 13, 2019.

Liquidity and Availability of Financial Assets

The Organization monitors the availability of resources to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing missions related activities, as well as services undertaken to support these activities, to be general expenditures.

As of December 31, 2018, the following financial assets could be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 1,350,496
Contributions receivable (without donor restriction)	912,253
Due from related party	<u>100,000</u>
Financial assets available to meet general expenditures within the year	<u>\$ 2,362,749</u>

3. Contributions Receivable

Contributions receivable include bequests and unconditional promises to give which management expects to be collected within one year. These receivables are reported at net realizable value because the present value of estimated cash flows approximates net realizable value. All contributions receivable has been collected subsequent to year end, and thus no allowance has been established.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

4. Investments

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

	<u>2018</u>	<u>2017</u>
Level 2		
Hartford Variable Annuity	<u>\$ 58,278</u>	<u>\$ 75,147</u>

5. Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

6. 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.

7. Property and Equipment

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

	<u>2018</u>	<u>2017</u>	<u>Useful Lives</u>
Fixtures and equipment	\$ 885,749	\$ 807,078	3-5
Leasehold improvements	599,251	568,077	7-15
Building	<u>966,094</u>	<u>966,094</u>	39
	2,451,094	2,341,249	
Accumulated depreciation and amortization	<u>(1,310,087)</u>	<u>(1,170,880)</u>	
	<u>\$ 1,141,007</u>	<u>\$ 1,170,369</u>	

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

8. Operating Leases

GCI leases its Yonkers, Poughkeepsie, and Staten Island facilities under long term operating arrangements. The Yonkers and Staten Island agreements expire on February 28, 2022 and July 31, 2020. The Poughkeepsie lease expired on March 31, 2018 and was not renewed as the office has closed. 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 \$108,841 and \$100,462 for 2018 and 2017. 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, 2018 required under the operating lease agreements are payable as follows:

2019	\$ 58,056
2020	38,334
2021	35,884
2022	<u>6,010</u>
	<u>\$ 138,284</u>

9. Net Assets with Donor Restrictions

At December 31, net assets with donor restriction were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Daystar Program	\$ 205,657	\$ 271,768
South Jersey Program	144,310	141,785
Renovations	<u>64,000</u>	<u>40,000</u>
	<u>\$ 413,967</u>	<u>\$ 453,553</u>

Net assets released from donor restriction during the years ended December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Daystar Program	\$ 75,349	\$ 128,840
South Jersey Program	<u>15,000</u>	<u>-</u>
	<u>\$ 90,349</u>	<u>\$ 128,840</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

10. Donated Goods and Services

GCI received donated goods in 2018 and 2017 with an estimated value of \$155,655 and \$125,058. The 2018 donated items consisted of \$19,800 of rent free use of homes and offices, \$20,000 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 3,601 and 8,800 hours in 2018 and 2017. 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.

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 December 31, 2018, \$116,353 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.

12. Related Party

In January 2017, GCI entered into a two-year service agreement with Mary's Shelter, an Alabama not-for-profit corporation. As part of the agreement, Mary's Shelter agrees to compensate GCI \$25,000 per month for their services. GCI has agreed to defer payment of these service fees in consideration for an Option Agreement between GCI and Mary's Shelter whereby GCI can purchase a building owned by Mary's Shelter for \$500,000. At GCI's sole discretion, GCI may elect to apply the deferred fees as credits toward the purchase price of the property that is subject to the option agreement.

During the current year, the agreement with Mary's Shelter was terminated. Good Counsel Inc., recorded \$250,000 of income during the current year prior to the termination. The amount due from Mary's Shelter as of December 31, 2018 is as follows:

Due from Mary's Shelter	\$ 525,000
Reserve	<u>(200,000)</u>
	<u>\$ 325,000</u>

Since the agreement states the Organization may apply the fees towards the purchase of the property mentioned above, the receivable from Mary's Shelter has been reduced to the value which management believes is the net realizable value if the property is sold.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

12. Related Party (continued)

In July 2017, GCI entered into an eighteen-month agreement with Malta House, a Connecticut not-for-profit corporation with a similar mission of Good Counsel, Inc. This agreement was terminated during the year. Both parties agreed that the services rendered by GCI were \$160,000. This amount was recorded as revenue during the current year. The parties agreed that Malta House will make quarterly payments of \$25,000 toward this receivable. Subsequent to year end, \$75,000 has been received.

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