

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, 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 consolidated 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 consolidated 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, 2019 and 2018, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

November 3, 2020

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,291,418	\$ 1,279,835
Accounts receivable	11,523	-
Contributions receivable	475,114	912,253
Due from related party, net	384,999	485,000
Investments	95,264	58,278
Prepaid expenses	-	5,639
Security deposit	75,095	70,661
Other assets	194,440	194,440
Property and equipment, net	<u>1,140,992</u>	<u>1,141,007</u>
	<u>\$ 3,668,845</u>	<u>\$ 4,147,113</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 303,758	\$ 304,322
Due to annuitant	<u>66,109</u>	<u>48,367</u>
Total Liabilities	<u>369,867</u>	<u>352,689</u>
Net Assets		
Without donor restrictions	2,926,530	3,380,457
With donor restrictions	<u>372,448</u>	<u>413,967</u>
Total Net Assets	<u>3,298,978</u>	<u>3,794,424</u>
	<u>\$ 3,668,845</u>	<u>\$ 4,147,113</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 4,459,871	\$ 5,091	\$ 4,464,962	\$ 4,657,827	\$ 48,238	\$ 4,706,065
Program service revenues	115,613	-	115,613	146,602	-	146,602
Program service revenue - related party	-	-	-	485,000	-	485,000
Grants	277,866	-	277,866	250,194	-	250,194
Donated goods and services	195,482	-	195,482	208,215	-	208,215
Dividends and interest	14,791	3,090	17,881	18,295	2,525	20,820
Net assets released from restrictions	49,700	(49,700)	-	90,349	(90,349)	-
Total Revenue, Gains and Other Support	<u>5,113,323</u>	<u>(41,519)</u>	<u>5,071,804</u>	<u>5,856,482</u>	<u>(39,586)</u>	<u>5,816,896</u>
EXPENSES						
Program services	4,004,954	-	4,004,954	4,356,267	-	4,356,267
Management and general	581,848	-	581,848	572,445	-	572,445
Fundraising	989,105	-	989,105	1,125,842	-	1,125,842
Total Expenses	<u>5,575,907</u>	<u>-</u>	<u>5,575,907</u>	<u>6,054,554</u>	<u>-</u>	<u>6,054,554</u>
Change in Net Assets from Operating Activities	(462,584)	(41,519)	(504,103)	(198,072)	(39,586)	(237,658)
NONOPERATING ACTIVITIES						
Net realized and unrealized						
gain (loss) on investments	8,657	-	8,657	(5,332)	-	(5,332)
Change in Net Assets	<u>(453,927)</u>	<u>(41,519)</u>	<u>(495,446)</u>	<u>(203,404)</u>	<u>(39,586)</u>	<u>(242,990)</u>
NET ASSETS						
Beginning of year	3,380,457	413,967	3,794,424	3,389,421	453,553	3,842,974
Restatement (Note 13)	-	-	-	194,440	-	194,440
Beginning of year restated	<u>3,380,457</u>	<u>413,967</u>	<u>3,794,424</u>	<u>3,583,861</u>	<u>453,553</u>	<u>4,037,414</u>
End of year	<u>\$ 2,926,530</u>	<u>\$ 372,448</u>	<u>\$ 3,298,978</u>	<u>\$ 3,380,457</u>	<u>\$ 413,967</u>	<u>\$ 3,794,424</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 3,012,235	\$ 381,608	\$ 321,707	\$ 3,715,550	\$ 2,990,507	\$ 317,490	\$ 606,733	\$ 3,914,730
Rent, utilities and building maintenance	276,328	220	8,587	285,135	304,314	8,393	8,393	321,100
Telephone	32,406	3,358	5,899	41,663	35,803	3,769	3,769	43,341
Equipment rental and maintenance	28,220	16,057	7,749	52,026	17,570	7,060	7,060	31,690
Insurance	67,115	35,905	3,996	107,016	124,292	8,214	8,214	140,719
Printing, publications and advertising	53,413	43,998	275,871	373,282	146,026	89,047	150,946	386,019
Postage and shipping	25,363	20,258	136,436	182,057	14,673	66,028	66,028	146,729
Supplies and food	45,259	509	2,142	47,910	67,549	2,895	2,895	73,339
Auto and travel	26,195	6,882	6,273	39,350	53,448	2,799	2,799	59,046
Professional fees and consulting	85,142	57,227	178,457	320,826	61,114	37,984	216,713	315,811
Direct assistance programs	14,152	-	-	14,152	29,368	-	-	29,368
Depreciation and amortization	154,635	-	-	154,635	139,207	-	-	139,207
Other expenses	17,733	15,826	41,988	75,547	16,741	28,766	52,292	97,799
Reserve on related party receivable	-	-	-	-	200,000	-	-	200,000
Donated goods and services	166,758	-	-	166,758	155,655	-	-	155,655
Total Expenses	<u>\$ 4,004,954</u>	<u>\$ 581,848</u>	<u>\$ 989,105</u>	<u>\$ 5,575,907</u>	<u>\$ 4,356,267</u>	<u>\$ 572,445</u>	<u>\$ 1,125,842</u>	<u>\$ 6,054,554</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (495,446)	\$ (242,990)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	154,635	139,207
Net realized and unrealized (gain) loss on investments	(8,657)	5,332
Donation of property and equipment	(28,724)	(52,560)
Disposal of property and equipment	5,525	-
Change in operating assets and liabilities		
Accounts receivable	(11,523)	-
Contributions receivable	437,139	(517,734)
Due from related party	100,001	(210,000)
Prepaid expenses	5,639	4,733
Security deposit	(4,434)	(64)
Accounts payable and accrued expenses	(564)	2,763
Due to annuitant	35,350	7,299
Net Cash from Operating Activities	188,941	(864,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(131,421)	(57,285)
Purchase of investments	(404,990)	(101,567)
Sale of investments	376,661	113,104
Distributions to annuitants	(17,608)	(6,700)
Net Cash from Investing Activities	(177,358)	(52,448)
Net Change in Cash and Cash Equivalents	11,583	(916,462)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,279,835	2,196,297
End of year	\$ 1,291,418	\$ 1,279,835

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

1. Organization

Good Counsel, Inc. (“GCI”) is a not-for-profit organization which provides training, housing and much more to homeless and 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, 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 assist 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 Spring Valley, Bronx, New York, and Secaucus, 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 Bronx, New York in order for GCI to provide a safe home for pregnant and 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, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Net Asset 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 GCI 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 GCI and/or by the passage of time or net assets to be maintained permanently by GCI. Generally, the donors of these assets permit GCI to use all or part of the incomes earned on related investments for general or donor-specified purposes.

Recently Adopted Accounting Pronouncements

Recognition of Contributions

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Board Update (“ASU”) 2018-08, Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional. Including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor’s obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. The Organization adopted ASU 2018-08 in the consolidated financial statements for the year ended December 31, 2019 on a modified prospective basis without significant impact of its consolidated financial statements.

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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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. 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.

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 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 statements of activities 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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Grants

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

Allocation of Expenses

GCI directly charges costs to the various functional expenses categories on a per transaction basis.

Advertising

GCI follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$173,977 and \$124,086.

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 2016.

3. Liquidity and Availability of Financial Assets

GCI 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, GCI considers all expenditures related to its ongoing missions related activities, as well as services undertaken to support these activities, to be general expenditures.

The following financial assets could be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,291,418	\$ 1,279,835
Accounts receivable	11,523	-
Contributions receivable (without donor restriction)	475,114	912,253
Due from related party	<u>59,999</u>	<u>100,000</u>
Financial assets available to meet general expenditures within the year	<u>\$ 1,838,054</u>	<u>\$ 2,292,088</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

4. 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 have been collected subsequent to year end, and thus no allowance has been established.

5. Investments

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

	<u>2019</u>	<u>2018</u>
Level 2		
Hartford Variable Annuity	<u>\$ 95,264</u>	<u>\$ 58,278</u>

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>2019</u>	<u>2018</u>	<u>Useful Lives</u>
Fixtures and equipment	\$ 686,559	\$ 665,859	3-5
Leasehold improvements	627,698	599,251	7-15
Building	966,094	966,094	39
Vehicles	213,893	219,890	5
Construction in progress	<u>91,066</u>	<u>-</u>	
	2,585,310	2,451,094	
Accumulated depreciation and amortization	<u>(1,444,318)</u>	<u>(1,310,087)</u>	
	<u>\$ 1,140,992</u>	<u>\$ 1,141,007</u>	

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

8. Operating Leases

GCI leases its Yonkers and Staten Island facilities under long term operating arrangements. The Yonkers and Staten Island agreements expire on February 28, 2022 and July 31, 2020. 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 \$110,847 and \$108,841 for 2019 and 2018. These expenses are included in the amounts for rent, utilities and building maintenance on the statements of functional expenses.

During the year, GCI entered into a new lease in Secaucus, New Jersey. The lease is for 6 years and was expected to begin July 2019 when construction by the landlord was expected to be complete. Due to unforeseen circumstances, there was a delay in construction completion and the Organization did not occupy the space until January 2020.

Future annual minimum lease payments at December 31, 2019 required under the operating lease agreements are payable as follows:

2020	\$ 81,263
2021	63,891
2022	33,931
2023	28,573
2024	29,430
Thereafter	<u>31,578</u>
	<u>\$268,666</u>

9. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Daystar Program	\$ 210,048	\$ 205,657
South Jersey Program	147,400	144,310
Renovations	<u>15,000</u>	<u>64,000</u>
	<u>\$ 372,448</u>	<u>\$ 413,967</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

9. Net Assets with Donor Restrictions (*continued*)

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

	<u>2019</u>	<u>2018</u>
Daystar Program	\$ 700	\$ 75,349
South Jersey Program	-	15,000
Renovations	<u>49,000</u>	<u>-</u>
	<u>\$ 49,700</u>	<u>\$ 90,349</u>

10. Donated Goods and Services

GCI received donated goods in 2019 and 2018 with an estimated value of \$195,482 and \$208,215. The 2019 donated items consisted of \$24,000 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, Mt. Vernon and Riverside.

GCI received the donated services of volunteers totaling approximately 2,390 and 3,601 hours in 2019 and 2018. 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 GCI to significant concentrations of credit risk consist principally of cash and cash equivalents. At December 31, 2019, \$51,633 of GCI's cash and cash equivalents was in excess of the federal deposit insurance limit. 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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2019 and 2018

12. Related Party (*continued*)

During 2018, the agreement with Mary's Shelter was terminated. The amount due from Mary's Shelter as of December 31, 2019 is as follows:

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

Since the agreement states GCI 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. It is management's intentions to pursue all remedies afforded to them in the agreement to collect the outstanding receivable.

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 2018. The parties agreed that Malta House will make quarterly payments of \$25,000 toward this receivable each year. As of December 31, 2019 and 2018 the balance was \$59,999 and \$160,000.

13. Prior Period Adjustment and Restatement

GCI owns a whole life insurance policy on the life of the President. The cash surrender value of the policy was omitted from previously issued financial statements. Net assets at the beginning of 2018 have been adjusted to include the cash surrender value of \$194,440, which is included in other assets.

14. 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 3, 2020.

GCI's operations have been affected by the ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020. Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of COVID-19, including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitations on the conduct of business.

Good Counsel, Inc.

Notes to Consolidated Financial Statements
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14. Subsequent Events (*continued*)

Under the guidance issued by New York State Executive Order 202.8, GCI was designated as essential and services have not been materially interrupted. However, COVID related restrictions necessitated the cancelation of several fundraising events, which has strained GCI's donation pool to quite an extent. Additionally, GCI has had to incur unforeseen expenses to provide personal protective equipment to their five locations.

GCI has received a \$720,210 Paycheck Protection Program Loan ("PPP Loan") from the Small Business Administration ("SBA"). The majority of the PPP Loan can be forgiven if GCI retains its current number of personnel and maintains the same working hours and pay rate for such personnel. If not forgiven, the PPP loan bear an interest rate of 1% for two years.

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