

Good Counsel, Inc.

Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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

December 21, 2021

Good Counsel, Inc.

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS		
Cash	\$ 2,343,837	\$ 1,291,418
Accounts receivable	-	11,523
Contributions receivable	386,604	475,114
Other receivables, net	325,000	384,999
Investments	91,065	95,264
Security deposit	75,053	75,095
Other assets	275,575	194,440
Property and equipment, net	<u>1,085,427</u>	<u>1,140,992</u>
	<u>\$ 4,582,561</u>	<u>\$ 3,668,845</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 225,498	\$ 303,758
Due to annuitant	64,796	66,109
Paycheck Protection Program (PPP) loan payable	<u>720,210</u>	<u>-</u>
Total Liabilities	<u>1,010,504</u>	<u>369,867</u>
 Net Assets		
Without donor restrictions	3,370,416	2,926,530
With donor restrictions	<u>201,641</u>	<u>372,448</u>
Total Net Assets	<u>3,572,057</u>	<u>3,298,978</u>
	<u>\$ 4,582,561</u>	<u>\$ 3,668,845</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Activities

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT						
Public support	\$ 4,709,480	\$ 184,992	\$ 4,894,472	\$ 4,459,871	\$ 5,091	\$ 4,464,962
Program service revenues	77,545	-	77,545	115,613	-	115,613
Grants	214,492	-	214,492	277,866	-	277,866
Increase in cash surrender value	81,135	-	81,135	-	-	-
Donated goods and services	106,260	-	106,260	195,482	-	195,482
Dividends and interest	1,935	1,649	3,584	14,791	3,090	17,881
Net assets released from restrictions	357,448	(357,448)	-	49,700	(49,700)	-
Total Revenue, Gains and Other Support	<u>5,548,295</u>	<u>(170,807)</u>	<u>5,377,488</u>	<u>5,113,323</u>	<u>(41,519)</u>	<u>5,071,804</u>
EXPENSES						
Program services	3,477,357	-	3,477,357	4,004,954	-	4,004,954
Management and general	695,678	-	695,678	581,848	-	581,848
Fundraising	937,755	-	937,755	989,105	-	989,105
Total Expenses	<u>5,110,790</u>	<u>-</u>	<u>5,110,790</u>	<u>5,575,907</u>	<u>-</u>	<u>5,575,907</u>
Change in Net Assets from Operating Activities	437,505	(170,807)	266,698	(462,584)	(41,519)	(504,103)
NONOPERATING ACTIVITIES						
Net realized and unrealized gain on investments	<u>6,381</u>	<u>-</u>	<u>6,381</u>	<u>8,657</u>	<u>-</u>	<u>8,657</u>
Change in Net Assets	<u>443,886</u>	<u>(170,807)</u>	<u>273,079</u>	<u>(453,927)</u>	<u>(41,519)</u>	<u>(495,446)</u>
NET ASSETS						
Beginning 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>
End of year	<u>\$ 3,370,416</u>	<u>\$ 201,641</u>	<u>\$ 3,572,057</u>	<u>\$ 2,926,530</u>	<u>\$ 372,448</u>	<u>\$ 3,298,978</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Salaries, payroll taxes and employee benefits	\$ 2,771,630	\$ 603,121	\$ 415,780	\$ 3,790,531	\$ 3,012,235	\$ 381,608	\$ 321,707	\$ 3,715,550
Rent, utilities and building maintenance	173,208	-	39,532	212,740	276,328	220	8,587	285,135
Telephone	29,378	3,814	3,819	37,011	32,406	3,358	5,899	41,663
Equipment rental and maintenance	59,292	8,388	7,942	75,622	28,220	16,057	7,749	52,026
Insurance	66,606	32,062	8,837	107,505	67,115	35,905	3,996	107,015
Printing, publications and advocating	12,376	6,686	72,543	91,605	53,413	43,998	275,871	373,282
Postage and shipping	35,569	2,376	210,673	248,618	25,363	20,258	136,436	182,057
Supplies and food	37,341	1,494	3,448	42,283	45,259	509	2,142	47,910
Auto and travel	14,134	2,535	1,282	17,951	26,195	6,882	6,273	39,350
Professional fees and consulting	40,833	30,685	121,808	193,326	85,142	57,227	178,457	320,826
Direct assistance programs	6,129	-	-	6,129	14,152	-	-	14,152
Depreciation and amortization	135,034	-	-	135,034	154,635	-	-	154,635
Other expenses	6,492	4,517	52,091	63,100	17,733	15,826	41,988	75,547
Donated goods and services	89,335	-	-	89,335	166,758	-	-	166,758
Total Expenses	\$ 3,477,357	\$ 695,678	\$ 937,755	\$ 5,110,790	\$ 4,004,954	\$ 581,848	\$ 989,105	\$ 5,575,907

See notes to consolidated financial statements

Good Counsel, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 273,079	\$ (495,446)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	135,034	154,635
Net realized and unrealized (gain) loss on investments	(6,381)	(8,657)
Donation of property and equipment	(16,925)	(28,724)
Disposal of property and equipment	-	5,525
Change in operating assets and liabilities		
Accounts receivable	11,523	(11,523)
Contributions receivable	88,510	437,139
Other receivables	59,999	100,001
Prepaid expenses	-	5,639
Security deposit	42	(4,434)
Other assets	(81,135)	-
Accounts payable and accrued expenses	(78,260)	(564)
Due to annuitant	(1,313)	17,742
Net Cash from Operating Activities	<u>384,173</u>	<u>171,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(62,544)	(131,421)
Purchase of investments	(115,688)	(404,990)
Sale of investments	126,268	376,661
Net Cash from Investing Activities	<u>(51,964)</u>	<u>(159,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program (PPP) loan	<u>720,210</u>	<u>-</u>
Net Change in Cash	1,052,419	11,583
CASH		
Beginning of year	<u>1,291,418</u>	<u>1,279,835</u>
End of year	<u>\$ 2,343,837</u>	<u>\$ 1,291,418</u>

See notes to consolidated financial statements

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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.

In 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.

Also in 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, of which GCI is 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, 2020 and 2019

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.

GCI reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.

Cash Equivalents

For the purpose of the statements of cash flows, GCI considers money market funds which invest in 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. 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.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

Contributions and Grants

In accordance with ASU 2018-08, the Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and right of return, are not recognizable until the conditions on which they depend have been met. Contributions are recorded as revenue at the earlier of the receipt of an unconditional pledge or the receipt of cash or other assets. Contributions are considered available for general use unless specifically restricted by the donor.

In-Kind Contributions

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Allocation of Expenses

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

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 2017.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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:

	2020	2019
Cash and cash equivalents	\$ 2,343,837	\$ 1,291,418
Accounts receivable	-	11,523
Contributions receivable (without donor restriction)	386,604	475,114
Due from related party	-	59,999
Financial assets available to meet general expenditures within the year	<u>\$ 2,730,441</u>	<u>\$ 1,838,054</u>

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:

	2020	2019
Level 1		
Mutual Funds	<u>\$ 91,065</u>	<u>\$ 95,264</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 are considered nonoperating activities.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

7. Property and Equipment

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

	<u>2020</u>	<u>2019</u>	<u>Useful Lives</u>
Fixtures and equipment	\$ 703,484	\$ 686,559	3-5
Leasehold improvements	662,075	627,698	7-15
Building	966,094	966,094	39
Vehicles	213,893	213,893	5
Construction in progress	<u>119,233</u>	<u>91,066</u>	
	2,664,779	2,585,310	
Accumulated depreciation and amortization	<u>(1,579,352)</u>	<u>(1,444,318)</u>	
	<u>\$ 1,085,427</u>	<u>\$ 1,140,992</u>	

8. Paycheck Protection Loan Payable

On May 4, 2020, the Organization received loan proceeds in the amount of \$720,210 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualify entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum.

All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date of the loan proceeds are received (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the First Draw PPP Loan, if any, is payable within two years from the date of the PPP loan with a deferral of payment on principal and interest until the amount of loan forgiveness is approved by the SBA. If the Organization does not apply for forgiveness, payment begins approximately 16 months after the loan date.

As of December 31, 2020, the PPP loan is recognized as debt on the statement of financial position. GCI will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470, Debt. As of July 20, 2021, the SBA has notified the Organization that the First Draw PPP loan has been forgiven.

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

9. Operating Leases

GCI leases its Staten Island, Secaucus, and Yonkers facilities under long term operating arrangements. The Staten Island agreement expired during the year on July 31, 2020 and the Organization renewed the lease for three additional years, expiring July 31, 2023. GCI also rents office space in Secaucus, New Jersey. This lease is for six years beginning January 15, 2020 and ending January 15, 2026. The lease calls for annual increases of 3% on the anniversary date of the lease. The Yonkers lease, which was set to expire February 28, 2022, was terminated by the Organization because the space was no longer suitable for the Daystar Program. The Organization was not assessed any penalty and does not have any obligation to pay the remaining payments of this lease.

The building in Riverside is owned by GCI and all other facilities are rented on a month to month basis. Rent expense totaled \$55,820 and \$110,847 for 2020 and 2019. 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, 2020 required under the operating lease agreements are payable as follows:

2021	\$ 34,133
2022	34,941
2023	32,773
2024	29,430
2025	30,313
Thereafter	<u>1,265</u>
	<u>\$ 162,855</u>

10. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Daystar Program	\$ -	\$ 210,048
South Jersey Program	186,341	147,400
Mary's Shelter	300	-
Renovations	<u>15,000</u>	<u>15,000</u>
	<u>\$ 201,641</u>	<u>\$ 372,448</u>

Good Counsel, Inc.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

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

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

	2020	2019
Daystar Program	\$ 210,048	\$ 700
South Jersey Program	147,400	-
Renovations	-	49,000
	<u>\$ 357,448</u>	<u>\$ 49,700</u>

11. In-Kind Contributions

GCI received donated goods in 2020 and 2019 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 2020 and 2019. 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.

12. 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, 2020, \$1,151,153 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.

13. Other Receivables

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, 2020 and 2019

13. Other Receivables (*continued*)

During 2018, the agreement with Mary's Shelter was terminated. The amount due from Mary's Shelter as of December 31, 2020 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. During the current year, GCI filed a lawsuit seeking specific performance of an option to purchase this property.

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. This receivable was paid in full during the current year.

14. Subsequent Events and COVID-19 Pandemic

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 December 21, 2021.

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
December 31, 2020 and 2019

14. Subsequent Events and COVID-19 Pandemic (*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.

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changed to behavior intended to reduce its spread, are uncertain as of the date these financial statements were available to issuance, as the pandemic continues to evolve globally. The full extent of any adverse impact on the results of operations, financial position and cash flow in fiscal year 2022 and beyond cannot be estimated with certainty at this time.

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