

VOICE OF THE FAITHFUL, INC.

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED MAY 31, 2006 AND 2005
(With Independent Auditor's Report Thereon)**



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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES
VOICE OF THE FAITHFUL, INC.
Newton, Massachusetts

We have audited the accompanying statements of financial position of Voice of the Faithful, Inc. (the "Organization") as of May 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Voice of the Faithful, Inc. as of May 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of the Organization's management and has been subjected to the auditing procedures applied in the audit of the basic financial statements; and in our opinion this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Parent, McLaughlin & Nangle

Certified Public Accountants

August 11, 2006

Parent, McLaughlin & Nangle

Certified Public Accountants, Inc.

160 Federal Street
Boston, MA 02110-1713
617/426-9440
Fax No. 617/423-3955

100 Cummings Center
Suite 335G
Beverly, MA 01915-6106
978/921-0005
Fax No. 978/927-3428

85 Rangeway Road
Forest Ridge Office Park, Bldg #1
Billerica, MA 01862-2105
978/663-9750
Fax No. 978/663-5151

Ten Commerce Way
Raynham, MA 02767-1017
508/880-4955
Fax No. 508/823-6976

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>May 31</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 227,781	\$ 237,719
Investments, at fair value	11,792	-
Inventory	-	439
Prepaid expenses and other current assets	8,534	28,826
Total Current Assets	248,107	266,984
EQUIPMENT, net	15,783	26,599
INTANGIBLE ASSETS, net	5,267	14,248
TOTAL ASSETS	<u>\$ 269,157</u>	<u>\$ 307,831</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 39,155	\$ 75,428
Accrued expenses and other current liabilities	39,185	37,779
Total Current Liabilities	78,340	113,207
NET ASSETS:		
Unrestricted	152,042	180,213
Temporarily restricted	38,775	14,411
Total Net Assets	190,817	194,624
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 269,157</u>	<u>\$ 307,831</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 634,943	\$ 26,600	\$ 661,543
Donated services	7,371	-	7,371
Book sales	170	-	170
Convention revenue	41,114	-	41,114
Interest income	3,896	-	3,896
Unrealized appreciation on investments	224	-	224
Net assets released from restriction	2,236	(2,236)	-
Total Revenue	689,954	24,364	714,318
EXPENSES:			
Program services	432,219	-	432,219
Fundraising	151,019	-	151,019
Management and general	134,887	-	134,887
Total Expenses	718,125	-	718,125
CHANGE IN NET ASSETS	(28,171)	24,364	(3,807)
NET ASSETS, beginning of year	180,213	14,411	194,624
NET ASSETS, end of year	<u>\$ 152,042</u>	<u>\$ 38,775</u>	<u>\$ 190,817</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 566,060	\$ 10,050	\$ 576,110
Donated services	9,059	-	9,059
Book sales	1,689	-	1,689
Convention revenue	48,761	-	48,761
Interest income	2,986	-	2,986
Net assets released from restriction	639	(639)	-
Total Revenue	629,194	9,411	638,605
EXPENSES:			
Program services	431,446	-	431,446
Fundraising	151,549	-	151,549
Management and general	131,257	-	131,257
Total Expenses	714,252	-	714,252
CHANGE IN NET ASSETS	(85,058)	9,411	(75,647)
NET ASSETS, beginning of year	265,271	5,000	270,271
NET ASSETS, end of year	\$ 180,213	\$ 14,411	\$ 194,624

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended May 31</u>	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 3,807)	(\$ 75,647)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	21,815	23,414
Investments received as a donation	(11,568)	-
Unrealized appreciation on investments	(224)	-
(Increase) decrease in assets:		
Inventory	439	5,909
Prepaid expenses and other current assets	20,292	(22,547)
(Decrease) increase in liabilities:		
Accounts payable	(36,273)	1,331
Accrued expenses and other current liabilities	<u>1,406</u>	<u>20,296</u>
Total adjustments	(<u>4,113</u>)	<u>28,403</u>
Net cash used by operating activities	(<u>7,920</u>)	(<u>47,244</u>)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(<u>2,018</u>)	(<u>7,135</u>)
Net cash used by investing activities	(<u>2,018</u>)	(<u>7,135</u>)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,938)	(54,379)
CASH AND CASH EQUIVALENTS, beginning of year	<u>237,719</u>	<u>292,098</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 227,781</u>	<u>\$ 237,719</u>
SUPPLEMENTAL DISCLOSURES:		
Investments received as a donation	<u>\$ 11,568</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2006 AND 2005

A. Organization:

Voice of the Faithful, Inc. (the "Organization") is a non-profit organization formed in response to the clergy sexual abuse crisis. The Organization's mission is to provide a prayerful voice, attentive to the Spirit, through which the Faithful can actively participate in the governance and guidance of the Catholic Church. The Organization seeks to: support those who have been abused; support priests of integrity; and shape structural change within the Church. The Organization was incorporated on June 26, 2002 and was approved as a 501(c)(3) organization by the Internal Revenue Service. The major sources of funding come from individual contributors sharing the concerns of the Organization.

B. Summary of Significant Accounting Policies:

Basis of accounting:

The Organization prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Contributions:

Contributions received are classified by each net asset category in accordance with donor-imposed restrictions. Contributions restricted for use whose restrictions are met in the same reporting period are reflected as unrestricted revenue, as permitted by Financial Accounting Standards (SFAS) No. 116.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2006 AND 2005

(continued)

B. Summary of Significant Accounting Policies – (continued):

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and cash equivalents:

For purposes of the statements of cash flows, cash equivalents consist of money market mutual funds.

Investments:

Investments are stated at fair value. Net realized and unrealized gains and losses are reflected in the accompanying statements of activities. Investment income is accrued as earned.

Equipment:

Equipment is recorded at cost or if donated, at fair value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Purchases are determined to be capital assets based upon the Organization's policy of capitalizing assets acquired at a cost exceeding \$500. Those items that are not capitalized are immediately expensed.

Intangible assets:

Intangible assets represent trademark costs and website and database development costs. Trademark costs are amortized using the straight-line method over seventeen years. Website and database development costs are amortized using the straight-line method over three years.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2006 AND 2005

(continued)

B. Summary of Significant Accounting Policies – (continued):

Income taxes:

The Organization has been determined to be a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the code, is subject to federal income tax.

Donated equipment and services:

Donations of equipment are recorded as revenues at their estimated fair value at the date of donation. Donated services are recorded as revenues and expenses at fair market value when determinable, otherwise at values indicated by the donor.

Other donated services, such as those provided by the Organization's volunteers, have not been reflected in the financial statements either because the services do not require a specialized skill or because no objective basis is available to measure the value of such services.

C. Investments:

Investments amounting to \$11,792 are carried at fair value and consist of equity securities at May 31, 2006. Unrealized appreciation on investments amounted to \$224 at May 31, 2006.

D. Equipment:

Equipment consisted of the following at May 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Computers and software	\$ 45,894	\$ 43,876
Furniture and fixtures	3,034	3,034
	<u>48,928</u>	<u>46,910</u>
Less: Accumulated depreciation	(33,145)	(20,311)
	<u>\$ 15,783</u>	<u>\$ 26,599</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2006 AND 2005

(continued)

E. Intangible Assets:

Intangible assets consisted of the following at May 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Website and database development	\$ 38,212	\$ 38,212
Trademark	<u>6,550</u>	<u>6,550</u>
	44,762	44,762
Less: Accumulated amortization	(<u>39,495</u>)	(<u>30,514</u>)
	<u>\$ 5,267</u>	<u>\$ 14,248</u>

F. Donated Equipment and Services:

During the year ended May 31, 2006, the Organization received donations of legal services amounting to \$7,000 and other miscellaneous donated services amounting to \$371. During the year ended May 31, 2005, the Organization received donations of consulting services amounting to \$5,309 in connection with the development and operation of a website and database and \$3,750 in connection with a conference hosted by the Organization. Total donated services, valued at \$7,371 and \$9,059, are reported as donated services and program services expenses in the accompanying financial statements for the years ended May 31, 2006 and 2005, respectively.

G. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2006 and 2005, are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Webmaster position	\$ 25,000	\$ -
Available for Goal 2: Support of Priests of Integrity	13,175	14,361
Color printer	600	-
Publication of structural change workbook	<u>-</u>	<u>50</u>
	<u>\$ 38,775</u>	<u>\$ 14,411</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2006 AND 2005

(continued)

H. Concentration of Credit Risk:

The Organization maintains its cash balances in one bank. The bank balances are insured by the Federal Deposit Insurance Corporation, up to \$100,000. As of May 31, 2006, the uninsured portion of such balances aggregated approximately \$142,000.

I. Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ACCOMPANYING INFORMATION

VOICE OF THE FAITHFUL, INC.

ACCOMPANYING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2006

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 221,629	\$ 38,570	\$ 69,349	\$ 329,548
Printing and publications	32,239	39,465	-	71,704
Conferences/meetings/events	52,825	781	10,260	63,866
Mail services	17,549	35,630	-	53,179
Occupancy	28,054	4,882	8,558	41,494
Postage and delivery	14,617	21,468	1,349	37,434
Telecommunications	9,148	587	8,130	17,865
Professional fees	-	-	17,771	17,771
Software consulting	5,091	5,245	5,091	15,427
Marketing	14,700	-	-	14,700
Depreciation	8,678	1,510	2,646	12,834
Other expenses	3,766	655	7,446	11,867
Office expense	6,818	1,169	2,435	10,422
Amortization	6,072	1,057	1,852	8,981
Communications	6,483	-	-	6,483
Charitable contributions	4,550	-	-	4,550
	<u>\$ 432,219</u>	<u>\$ 151,019</u>	<u>\$ 134,887</u>	<u>\$ 718,125</u>