

VOICE OF THE FAITHFUL, INC.

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED MAY 31, 2007 AND 2006**

(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, 2007 and 2006, 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, 2007 and 2006, 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

December 6, 2007

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

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VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>May 31</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 146,922	\$ 227,781
Investments, at fair value	-	11,792
Prepaid expenses and other current assets	16,833	8,534
Total current assets	163,755	248,107
EQUIPMENT, net	7,161	15,783
INTANGIBLE ASSETS, net	4,882	5,267
TOTAL ASSETS	<u>\$ 175,798</u>	<u>\$ 269,157</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 52,420	\$ 39,155
Accrued expenses and other current liabilities	39,263	39,185
Total current liabilities	91,683	78,340
NET ASSETS:		
Unrestricted	80,804	152,042
Temporarily restricted	3,311	38,775
Total net assets	84,115	190,817
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 175,798</u>	<u>\$ 269,157</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 568,368	\$ 800	\$ 569,168
Donated services	2,005	-	2,005
Book sales	395	-	395
Convention revenue	5,090	-	5,090
Interest income	3,785	-	3,785
Change in unrealized appreciation (depreciation) on investments	(224)	-	(224)
Realized gain on sales of investments	270	-	270
Net assets released from restrictions	<u>36,264</u>	<u>(36,264)</u>	<u>-</u>
Total revenue	<u>615,953</u>	<u>(35,464)</u>	<u>580,489</u>
EXPENSES:			
Program services	369,389	-	369,389
Fundraising	196,264	-	196,264
Management and general	<u>121,538</u>	<u>-</u>	<u>121,538</u>
Total expenses	<u>687,191</u>	<u>-</u>	<u>687,191</u>
CHANGE IN NET ASSETS	(71,238)	(35,464)	(106,702)
NET ASSETS, beginning of year	<u>152,042</u>	<u>38,775</u>	<u>190,817</u>
NET ASSETS, end of year	<u>\$ 80,804</u>	<u>\$ 3,311</u>	<u>\$ 84,115</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
Change in unrealized appreciation on investments	224	-	224
Net assets released from restrictions	2,236	(2,236)	-
Total revenue	<u>689,954</u>	<u>24,364</u>	<u>714,318</u>
EXPENSES:			
Program services	432,219	-	432,219
Fundraising	151,019	-	151,019
Management and general	134,887	-	134,887
Total expenses	<u>718,125</u>	<u>-</u>	<u>718,125</u>
CHANGE IN NET ASSETS	(28,171)	24,364	(3,807)
NET ASSETS, beginning of year	<u>180,213</u>	<u>14,411</u>	<u>194,624</u>
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.

STATEMENTS OF CASH FLOWS

	Year Ended May 31	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 106,702)	(\$ 3,807)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	9,007	21,815
Investments received as a donation	(2,171)	(11,568)
Change in unrealized (appreciation) depreciation on investments	224	(224)
Realized gain on sale of investments	(270)	-
Reinvested interest income	(73)	-
(Increase) decrease in assets:		
Inventory	-	439
Prepaid expenses and other current assets	(8,299)	20,292
(Decrease) increase in liabilities:		
Accounts payable	13,265	(36,273)
Accrued expenses and other current liabilities	78	1,406
Total adjustments	11,761	(4,113)
Net cash used by operating activities	(94,941)	(7,920)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sales of investments	14,082	-
Purchases of equipment	-	(2,018)
Net cash provided (used) by investing activities	14,082	(2,018)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(80,859)	(9,938)
CASH AND CASH EQUIVALENTS, beginning of year	227,781	237,719
CASH AND CASH EQUIVALENTS, end of year	\$ 146,922	\$ 227,781
SUPPLEMENTAL DISCLOSURES:		
Investments received as a donation	\$ 2,171	\$ 11,568

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2007 AND 2006

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 survivors of clergy sexual abuse; 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, 2007 AND 2006

(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.

Statements of Cash Flows:

The Organization considers money market mutual funds to be cash equivalents for the purposes of the statements of cash flows.

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, 2007 AND 2006

(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 consisted 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Computers and software	\$ 45,894	\$ 45,894
Furniture and fixtures	3,034	3,034
	<u>48,928</u>	<u>48,928</u>
Less: Accumulated depreciation	(<u>41,767</u>)	(<u>33,145</u>)
	<u>\$ 7,161</u>	<u>\$ 15,783</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2007 AND 2006

(continued)

E. Intangible Assets:

Intangible assets consisted of the following at May 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Website and database development	\$ 38,212	\$ 38,212
Trademark	6,550	6,550
	<u>44,762</u>	<u>44,762</u>
Less: Accumulated amortization	(39,880)	(39,495)
	<u>\$ 4,882</u>	<u>\$ 5,267</u>

F. Donated Equipment and Services:

During the year ended May 31, 2007, the Organization received donations of miscellaneous services amounting to \$2,005. 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. Total donated services, valued at \$2,005 and \$7,371, are reported as donated services and program services expenses in the accompanying financial statements for the years ended May 31, 2007 and 2006, respectively.

G. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2007 and 2006, are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Webmaster position	\$ 3,011	\$ 25,000
Survivor support working committee	300	-
Available for Goal 2: Support of Priests of Integrity	-	13,175
Color printer	-	600
	<u>\$ 3,311</u>	<u>\$ 38,775</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2007 AND 2006

(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, 2007, the uninsured portion of such balances aggregated approximately \$48,000.

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.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2007

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 195,236	\$ 43,194	\$ 73,464	\$ 311,894
Mail services	31,082	63,105	-	94,187
Printing and publications	33,089	49,616	-	82,705
Postage and delivery	16,909	28,975	1,031	46,915
Occupancy	27,135	6,033	9,481	42,649
Conferences/meetings/events	31,885	-	175	32,060
Telecommunications	9,059	1,087	6,644	16,790
Professional fees	-	-	14,590	14,590
Other expenses	3,546	789	9,330	13,665
Office expense	5,564	1,237	3,893	10,694
Depreciation	5,485	1,220	1,917	8,622
Marketing	6,312	-	-	6,312
Software consulting	927	954	927	2,808
Communications	2,715	-	-	2,715
Amortization	245	54	86	385
Charitable contributions	200	-	-	200
	<u>\$ 369,389</u>	<u>\$ 196,264</u>	<u>\$ 121,538</u>	<u>\$ 687,191</u>