

VOICE OF THE FAITHFUL, INC.

**FINANCIAL STATEMENTS AND ACCOMPANYING
INFORMATION FOR THE YEAR ENDED MAY 31, 2004
AND FOR THE PERIOD FROM JUNE 26, 2002 (INCEPTION)
THROUGH MAY 31, 2003**

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

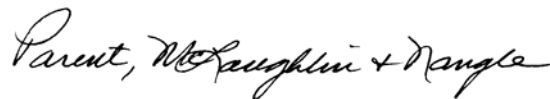
TO THE BOARD OF DIRECTORS
VOICE OF THE FAITHFUL, INC.
Newton, Massachusetts

We have audited the accompanying statements of financial position of Voice of the Faithful, Inc. (the "Organization") as of May 31, 2004 and 2003, and the related statements of activities and cash flows for the year ended May 31, 2004 and the period from June 26, 2002 (inception) through May 31, 2003. 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, 2004 and 2003, and the changes in its net assets and its cash flows for the year ended May 31, 2004 and the period from June 26, 2002 (inception) through May 31, 2003 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 11 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.



Certified Public Accountants

July 15, 2004

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	May 31	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 292,098	\$ 309,074
Inventory	6,348	-
Prepaid expenses and other current assets	<u>6,279</u>	<u>3,518</u>
Total Current Assets	304,725	312,592
EQUIPMENT, net	29,757	15,239
INTANGIBLE ASSETS, net	<u>27,369</u>	<u>39,150</u>
TOTAL ASSETS	<u>\$ 361,851</u>	<u>\$ 366,981</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 74,097	\$ 29,899
Accrued expenses and other current liabilities	<u>17,483</u>	<u>22,268</u>
Total Current Liabilities	91,580	52,167
NET ASSETS:		
Unrestricted	265,271	309,814
Temporarily restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>270,271</u>	<u>314,814</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 361,851</u>	<u>\$ 366,981</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE:			
Contributions	\$ 629,309	\$ -	\$ 629,309
Donated equipment and services	38,841	-	38,841
Book sales	6,797	-	6,797
Other income	5,000	-	5,000
Interest income	3,502	-	3,502
	<u>683,449</u>	<u>-</u>	<u>683,449</u>
Total Revenue			
EXPENSES:			
Program services	500,454	-	500,454
Fundraising	111,089	-	111,089
Management and general	116,449	-	116,449
	<u>727,992</u>	<u>-</u>	<u>727,992</u>
Total Expenses			
CHANGE IN NET ASSETS	(44,543)	-	(44,543)
NET ASSETS, beginning of year	<u>309,814</u>	<u>5,000</u>	<u>314,814</u>
NET ASSETS, end of year	<u>\$ 265,271</u>	<u>\$ 5,000</u>	<u>\$ 270,271</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM JUNE 26, 2002
(DATE OF INCEPTION) THROUGH MAY 31, 2003

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Contributions	\$ 682,491	\$ 5,000	\$ 687,491
Convention revenue	140,315	-	140,315
Donated services	39,105	-	39,105
Interest income	2,102	-	2,102
Total Revenue	<u>864,013</u>	<u>5,000</u>	<u>869,013</u>
EXPENSES:			
Program services	398,795	-	398,795
Fundraising	64,224	-	64,224
Management and general	91,180	-	91,180
Total Expenses	<u>554,199</u>	<u>-</u>	<u>554,199</u>
CHANGE IN NET ASSETS	309,814	5,000	314,814
NET ASSETS, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of period	<u>\$ 309,814</u>	<u>\$ 5,000</u>	<u>\$ 314,814</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF CASH FLOWS

	Year ended May 31, 2004	For the Period June 26, 2002 (Inception) Through May 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 44,543)	\$ 314,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,239	6,172
Provision for doubtful accounts	-	2,335
Donated equipment and services for long-term assets	(1,335)	(11,220)
(Increase) decrease in assets:		
Accounts receivable	-	(2,335)
Inventory	(6,348)	-
Prepaid expenses and other current assets	(2,761)	(3,518)
(Decrease) increase in liabilities:		
Accounts payable	44,198	29,899
Accrued expenses and other current liabilities	(4,785)	22,268
Total adjustments	<u>50,208</u>	<u>43,601</u>
Net cash provided by operating activities	<u>5,665</u>	<u>358,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(21,986)	(17,099)
Costs incurred for intangible assets	(655)	(32,242)
Net cash used by investing activities	<u>(22,641)</u>	<u>(49,341)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,976)	309,074
CASH AND CASH EQUIVALENTS, beginning of period	<u>309,074</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 292,098</u>	<u>\$ 309,074</u>
SUPPLEMENTAL DISCLOSURE:		
Donated equipment	<u>\$ 690</u>	<u>\$ -</u>
Donated services capitalized as part of website development costs	<u>\$ 645</u>	<u>\$ 11,220</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2004 AND THE PERIOD
JUNE 26, 2002 (INCEPTION) THROUGH MAY 31, 2003

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

YEAR ENDED MAY 31, 2004 AND THE PERIOD
JUNE 26, 2002 (INCEPTION) THROUGH MAY 31, 2003

(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.

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.

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.

Reclassifications:

Certain reclassifications have been made to the 2003 financial statements in order to conform with 2004 presentation.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2004 AND THE PERIOD
JUNE 26, 2002 (INCEPTION) THROUGH MAY 31, 2003

(continued)

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

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. Equipment:

Equipment consisted of the following at May 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Computers and software	\$ 36,741	\$ 16,305
Furniture and fixtures	3,034	794
	39,775	17,099
Less: Accumulated depreciation	(10,018)	(1,860)
	<u>\$ 29,757</u>	<u>\$ 15,239</u>

D. Intangible Assets:

Intangible assets consisted of the following at May 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Website and database development	\$ 38,212	\$ 36,912
Trademark	6,550	6,550
	44,762	43,462
Less: Accumulated amortization	(17,393)	(4,312)
	<u>\$ 27,369</u>	<u>\$ 39,150</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2004 AND THE PERIOD
JUNE 26, 2002 (INCEPTION) THROUGH MAY 31, 2003

(continued)

E. Donated Equipment and Services:

The Organization received donations of consulting services amounting to \$38,151 and \$39,105 in connection with the development and operation of a website and database during the year ended May 31, 2004 and the period June 26, 2002 (inception) through May 31, 2003, respectively. Services donated in connection with the development of the website and database, valued at \$645 and \$11,220, are reported as donated services and capitalized as an intangible asset in the accompanying financial statements for the year ended May 31, 2004 and the period June 26, 2002 (inception) through May 31, 2003, respectively. Services donated in connection with the operation of the website and database, valued at \$37,506 and \$27,885, are reported as donated services and program services expenses in the accompanying financial statements for the year ended May 31, 2004 and the period June 26, 2002 (inception) through May 31, 2003, respectively. Donated equipment amounted to \$690 for the year ended May 31, 2004.

F. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2004 and 2003 are available for the following purposes:

Available for Goal 2: Support of Priests of Integrity	<u>\$ 5,000</u>
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G. 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, 2004, the uninsured portion of such balances aggregated approximately \$201,000.

H. 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, 2004

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 221,526	\$ 46,115	\$ 70,876	\$ 338,517
Marketing	149,070	1,123	-	150,193
Occupancy	25,444	5,566	8,746	39,756
Conferences/meetings/events	25,844	2,610	2,792	31,246
Professional fees	1,714	-	12,534	14,248
Office expense	16,806	40,148	5,624	62,578
Telecommunications	19,279	1,146	1,801	22,226
Printing and publications	16,360	10,436	1,415	28,211
Amortization	8,371	1,831	2,879	13,081
Other expenses	4,442	972	7,407	12,821
Depreciation	5,221	1,142	1,795	8,158
Communications	4,327	-	580	4,907
Charitable contributions	2,050	-	-	2,050
	<u>\$ 500,454</u>	<u>\$ 111,089</u>	<u>\$ 116,449</u>	<u>\$ 727,992</u>