

VOICE OF THE FAITHFUL, INC.

FINANCIAL STATEMENTS AND ACCOMPANYING
INFORMATION FOR THE YEARS ENDED
MAY 31, 2009 (Reviewed) AND 2008 (Audited)

(With Accountant's Review Report Thereon)



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ACCOUNTANTS REVIEW REPORT

To the Board of Trustees
Voice of the Faithful, Inc.
Needham, Massachusetts

We have reviewed the accompanying statement of financial position of Voice of the Faithful, Inc. (a not-for-profit organization) as of May 31, 2009, and the related statements of activities and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Voice of the Faithful, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying information for the year ended May 31, 2009 included on page 11 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

The financial statements for the year ended May 31, 2008, were audited by us, and we expressed an unqualified opinion on them in our report dated December 3, 2008, but we have not performed any auditing procedures since that date.

Parent, McLaughlin + Nangle

Certified Public Accountants, Inc.

February 10, 2010

Parent, McLaughlin & Nangle

Certified Public Accountants, Inc.

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VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2009	2008
	(Reviewed)	(Audited)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 15,539	\$ 66,096
Investments, at fair value	32	2,367
Unconditional promises to give	7,143	9,286
Prepaid expenses and other current assets	15,166	18,755
Total current assets	37,880	96,504
Equipment, net	12,052	11,569
Intangible assets, net	4,113	4,497
Total assets	<u>\$ 54,045</u>	<u>\$ 112,570</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 6,148	\$ 11,997
Accrued expenses and other current liabilities	23,776	24,805
Total current liabilities	29,924	36,802
Net assets:		
Unrestricted	17,655	66,829
Temporarily restricted	6,466	8,939
Total net assets	24,121	75,768
Total liabilities and net assets	<u>\$ 54,045</u>	<u>\$ 112,570</u>

See accountant's review report and notes to financial statements.

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF CASH FLOWS

	Year Ended May 31	
	2009	2008
	(Reviewed)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (51,647)	\$ (8,347)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	4,384	5,292
Donations of investment securities	(1,015)	(2,783)
Net realized and unrealized loss on investments	962	456
Reinvested interest income	-	(40)
(Increase) decrease in assets:		
Unconditional promises to give	2,143	(9,286)
Prepaid expenses and other current assets	3,589	(1,922)
Increase (decrease) in liabilities:		
Accounts payable	(5,849)	(40,423)
Accrued expenses and other current liabilities	(1,029)	(14,458)
Total adjustments	<u>3,185</u>	<u>(63,164)</u>
Net cash used by operating activities	<u>(48,462)</u>	<u>(71,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sales of investments	2,388	-
Purchases of equipment	(4,483)	(9,315)
Net cash used by investing activities	<u>(2,095)</u>	<u>(9,315)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(50,557)	(80,826)
CASH AND CASH EQUIVALENTS, beginning of year	<u>66,096</u>	<u>146,922</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 15,539</u>	<u>\$ 66,096</u>
SUPPLEMENTAL DISCLOSURE:		
Donations of investment securities	<u>\$ 1,015</u>	<u>\$ 2,783</u>

See accountant's review report and notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 (Reviewed) AND 2008 (Audited)

A. Organization:

Voice of the Faithful, Inc. (the Organization) is a not-for-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 recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or absence of donor-imposed restrictions.

Contributions which are restricted for use whose restrictions are met in the same reporting period are reflected as unrestricted revenue.

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.

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.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 (Reviewed) AND 2008 (Audited)

(continued)

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

Unconditional promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contribution revenue. All unconditional promises to give are considered to be current as of May 31, 2009.

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.

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.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 (Reviewed) AND 2008 (Audited)

(continued)

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

Income taxes - (continued):

The Organization is subject to the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). The FASB has deferred the effective date of FIN 48 for non-public enterprises, to the annual financial statements for fiscal years beginning after December 15, 2008. FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit or liability of a tax position taken or expected to be taken in a tax return. The Organization's policy is to analyze and evaluate its tax positions for all open tax years. The Organization has elected to defer the application of FIN 48 as permitted.

Donated investments, equipment, and services:

Donations of investments and 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.

Reclassifications:

Reclassifications have been made to the prior year financial statements whenever necessary to conform with the current year presentation.

C. Investments:

Investments amounting to \$32 are carried at fair value and consisted of money market funds at May 31, 2009.

D. Equipment:

Equipment consisted of the following at May 31, 2009 and 2008:

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
Computers and software	\$ 55,208	\$ 55,208
Furniture, fixtures and equipment	7,518	3,034
	<u>62,726</u>	<u>58,242</u>
Less: Accumulated depreciation	<u>(50,674)</u>	<u>(46,673)</u>
	<u>\$ 12,052</u>	<u>\$ 11,569</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 (Reviewed) AND 2008 (Audited)

(continued)

E. Intangible Assets:

Intangible assets consisted of the following at May 31, 2009 and 2008:

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
Website and database development	\$ 38,212	\$ 38,212
Trademark	6,550	6,550
	<u>44,762</u>	<u>44,762</u>
Less: Accumulated amortization	(40,649)	(40,265)
	<u>\$ 4,113</u>	<u>\$ 4,497</u>

F. Donated Services:

During the year ended May 31, 2009, the Organization received donations of \$6,742 of travel expenses from trustees and other affiliated individuals that attended its various meetings. During the year ended May 31, 2008, the Organization received donations of \$14,975 of travel expenses from trustees and other affiliated individuals that attended its various meetings and convention, and miscellaneous donated services relating to the convention amounting to \$2,258. Total donated services, valued at \$6,742 and \$17,233, are reported as donated services and program services expenses in the accompanying financial statements for the years ended May 31, 2009 and 2008, respectively.

G. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2009 and 2008, are available for the following purposes:

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited)
Support Priests of Integrity	\$ 200	\$ -
American Catholic Council	5,966	-
Survivor Support Working Group	300	300
Papal U.S. visit activities	-	5,146
New York Times advertisement	-	3,493
	<u>\$ 6,466</u>	<u>\$ 8,939</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 (Reviewed) AND 2008 (Audited)

(continued)

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.

I. Subsequent Events:

In response to economic conditions and concerns about its financial position, the Organization conducted an emergency financial appeal beginning during July, 2009 resulting in more than \$125,000 in contributions.

To remain financially viable in the future, the Organization decided to modify its business plan to raise annual revenue during a meeting of its Board of Trustees on September 22, 2009. Instead of relying exclusively on regular electronic and postal solicitations for contributions, the Organization has adopted a dues structure, which will be supplemented by targeted solicitations.

ACCOMPANYING INFORMATION

VOICE OF THE FAITHFUL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2009 (Reviewed)

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 147,899	\$ 69,233	\$ 90,069	\$ 307,201
Mail services	17,518	35,567	-	53,085
Occupancy	21,892	10,247	13,332	45,471
Conferences/meetings/events	11,302	2,002	1,920	15,224
Postage and delivery	5,153	8,364	818	14,335
Other expenses	2,697	1,262	9,152	13,111
Program expenses	11,726	-	-	11,726
Professional fees	-	-	8,504	8,504
Software consulting	2,632	2,632	2,634	7,898
Marketing	5,655	-	-	5,655
Office expense	2,635	1,219	1,690	5,544
Telecommunications	2,865	706	920	4,491
Depreciation	1,926	901	1,173	4,000
Printing and publications	1,298	-	-	1,298
Amortization	185	87	113	385
Communications	335	-	-	335
Charitable contributions	25	-	-	25
	<u>\$ 235,743</u>	<u>\$ 132,220</u>	<u>\$ 130,325</u>	<u>\$ 498,288</u>