

VOICE OF THE FAITHFUL, INC.

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
FOR THE YEARS ENDED MAY 31, 2005 AND 2004
(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, 2005 and 2004, 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, 2005 and 2004, 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 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

August 5, 2005

VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>May 31</u>	
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 237,719	\$ 292,098
Inventory	439	6,348
Prepaid expenses and other current assets	<u>28,826</u>	<u>6,279</u>
Total Current Assets	266,984	304,725
EQUIPMENT, net	26,599	29,757
INTANGIBLE ASSETS, net	<u>14,248</u>	<u>27,369</u>
TOTAL ASSETS	<u>\$ 307,831</u>	<u>\$ 361,851</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 75,428	\$ 74,097
Accrued expenses and other current liabilities	<u>37,779</u>	<u>17,483</u>
Total Current Liabilities	113,207	91,580
NET ASSETS:		
Unrestricted	180,213	265,271
Temporarily restricted	<u>14,411</u>	<u>5,000</u>
Total Net Assets	<u>194,624</u>	<u>270,271</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 307,831</u>	<u>\$ 361,851</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	<u>629,194</u>	<u>9,411</u>	<u>638,605</u>
EXPENSES:			
Program services	431,446	-	431,446
Fundraising	151,549	-	151,549
Management and general	131,257	-	131,257
Total Expenses	<u>714,252</u>	<u>-</u>	<u>714,252</u>
CHANGE IN NET ASSETS	(85,058)	9,411	(75,647)
NET ASSETS, beginning of year	<u>265,271</u>	<u>5,000</u>	<u>270,271</u>
NET ASSETS, end of year	<u>\$ 180,213</u>	<u>\$ 14,411</u>	<u>\$ 194,624</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	\$ 621,800	\$ -	\$ 621,800
Donated equipment and services	38,841	-	38,841
Book sales	6,797	-	6,797
Other income	12,509	-	12,509
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.

STATEMENTS OF CASH FLOWS

	<u>Year Ended May 31</u>	
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 75,647)	(\$ 44,543)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	23,414	21,239
Donated equipment and services for long-term assets	-	(1,335)
(Increase) decrease in assets:		
Inventory	5,909	(6,348)
Prepaid expenses and other current assets	(22,547)	(2,761)
(Decrease) increase in liabilities:		
Accounts payable	1,331	44,198
Accrued expenses and other current liabilities	<u>20,296</u>	(<u>4,785</u>)
Total adjustments	<u>28,403</u>	<u>50,208</u>
Net cash (used) provided by operating activities	(<u>47,244</u>)	<u>5,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(7,135)	(21,986)
Costs incurred for intangible assets	<u>-</u>	(<u>655</u>)
Net cash used by investing activities	(<u>7,135</u>)	(<u>22,641</u>)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(54,379)	(16,976)
CASH AND CASH EQUIVALENTS, beginning of year	<u>292,098</u>	<u>309,074</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 237,719</u></u>	<u><u>\$ 292,098</u></u>
SUPPLEMENTAL DISCLOSURES:		
Donated equipment	<u>\$ -</u>	<u>\$ 690</u>
Donated services capitalized as part of website development costs	<u><u>\$ -</u></u>	<u><u>\$ 645</u></u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2005 AND 2004

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, 2005 AND 2004

(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.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2005 AND 2004

(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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Computers and software	\$ 43,876	\$ 36,741
Furniture and fixtures	<u>3,034</u>	<u>3,034</u>
	46,910	39,775
Less: Accumulated depreciation	(<u>20,311</u>)	(<u>10,018</u>)
	<u><u>\$ 26,599</u></u>	<u><u>\$ 29,757</u></u>

D. Intangible Assets:

Intangible assets consisted of the following at May 31, 2005 and 2004:

	<u>2005</u>	<u>2004</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>30,514</u>)	(<u>17,393</u>)
	<u><u>\$ 14,248</u></u>	<u><u>\$ 27,369</u></u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2005 AND 2004

(continued)

E. Donated Equipment and Services:

The Organization received donations of consulting services amounting to \$5,309 and \$38,151 in connection with the development and operation of a website and database during the years ended May 31, 2005 and 2004, respectively. Services donated in connection with the development of the website and database, valued at \$645 are reported as donated services and capitalized as an intangible asset in the accompanying financial statements for the year ended May 31, 2004. Services donated in connection with the operation of the website and database, valued at \$5,309 and \$37,506, are reported as donated services and program services expenses in the accompanying financial statements for the year ended May 31, 2005 and 2004, respectively. Donated equipment amounted to \$690 for the year ended May 31, 2004.

Donated services of \$3,750 were also received in connection with a conference hosted by the Organization during the year ended May 31, 2005.

F. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2005 and 2004, are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Available for Goal 2: Support of Priests of Integrity	\$ 14,361	\$ 5,000
Publication of structural change workbook	50	-
	<u>\$ 14,411</u>	<u>\$ 5,000</u>

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, 2005, the uninsured portion of such balances aggregated approximately \$153,000.

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, 2005

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 227,831	\$ 35,580	\$ 75,694	\$ 339,105
Development	-	105,596	-	105,596
Conferences/meetings/events	63,350	-	5,493	68,843
Printing and publications	49,841	295	-	50,136
Occupancy	27,085	4,244	8,863	40,192
Telecommunications	15,400	613	8,230	24,243
Office expense	9,691	2,169	5,264	17,124
Professional fees	-	-	13,289	13,289
Amortization	8,842	1,385	2,894	13,121
Other expenses	3,704	580	6,755	11,039
Communications	7,832	-	2,505	10,337
Depreciation	6,936	1,087	2,270	10,293
Charitable contributions	8,365	-	-	8,365
Marketing	2,569	-	-	2,569
	<u>\$ 431,446</u>	<u>\$ 151,549</u>	<u>\$ 131,257</u>	<u>\$ 714,252</u>