

VOICE OF THE FAITHFUL, INC.

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FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION  
FOR THE YEARS ENDED MAY 31, 2008 AND 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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 10 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 3, 2008

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VOICE OF THE FAITHFUL, INC.

STATEMENTS OF FINANCIAL POSITION

	May 31	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 66,096	\$ 146,922
Investments, at fair value	2,367	-
Unconditional promises to give	9,286	-
Prepaid expenses and other current assets	18,755	16,833
Total current assets	96,504	163,755
EQUIPMENT, net	11,569	7,161
INTANGIBLE ASSETS, net	4,497	4,882
TOTAL ASSETS	<u>\$ 112,570</u>	<u>\$ 175,798</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,997	\$ 52,420
Accrued expenses and other current liabilities	24,805	39,263
Total current liabilities	36,802	91,683
NET ASSETS:		
Unrestricted	66,829	80,804
Temporarily restricted	8,939	3,311
Total net assets	75,768	84,115
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 112,570</u>	<u>\$ 175,798</u>

See accompanying notes to financial statements.



VOICE OF THE FAITHFUL, INC.

STATEMENT OF ACTIVITIES

YEARS ENDED MAY 31, 2008 AND 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
		Total		Total
<b>REVENUE:</b>				
Contributions	\$ 623,517	\$ 8,639	\$ 568,368	\$ 800
Donated services	17,233	-	2,005	-
Book sales	1,267	-	395	-
Convention revenue	47,021	-	5,090	-
Interest income	1,118	-	3,785	-
Change in unrealized depreciation on investments	(456)	-	(224)	-
Realized gain on sales of investments	-	-	270	-
Net assets released from restrictions	3,011	(3,011)	36,264	(36,264)
<b>Total revenue</b>	<b>692,711</b>	<b>5,628</b>	<b>615,953</b>	<b>(35,464)</b>
<b>EXPENSES:</b>				
Program services	376,606	-	369,389	-
Fundraising	185,809	-	196,264	-
Management and general	144,271	-	121,538	-
<b>Total expenses</b>	<b>706,686</b>	<b>-</b>	<b>687,191</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(13,975)</b>	<b>5,628</b>	<b>(71,238)</b>	<b>(35,464)</b>
<b>NET ASSETS, beginning of year</b>	<b>80,804</b>	<b>3,311</b>	<b>152,042</b>	<b>38,775</b>
<b>NET ASSETS, end of year</b>	<b>\$ 66,829</b>	<b>\$ 8,939</b>	<b>\$ 80,804</b>	<b>\$ 3,311</b>
		<b>\$ 75,768</b>		<b>\$ 84,115</b>

See accompanying notes to financial statements.



VOICE OF THE FAITHFUL, INC.

STATEMENTS OF CASH FLOWS

	Year Ended May 31	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (8,347)	\$ (106,702)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	5,292	9,007
Investments received as a donation	(2,783)	(2,171)
Change in unrealized depreciation on investments	456	224
Realized gain on sale of investments	-	(270)
Reinvested interest income	(40)	(73)
Increase in assets:		
Unconditional promises to give	(9,286)	-
Prepaid expenses and other current assets	(1,922)	(8,299)
Increase (decrease) in liabilities:		
Accounts payable	(40,423)	13,265
Accrued expenses and other current liabilities	(14,458)	78
Total adjustments	<u>(63,164)</u>	<u>11,761</u>
Net cash used by operating activities	<u>(71,511)</u>	<u>(94,941)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sales of investments	-	14,082
Purchases of equipment	<u>(9,315)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(9,315)</u>	<u>14,082</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(80,826)</b>	<b>(80,859)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>146,922</b>	<b>227,781</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ <u>66,096</u></b>	<b>\$ <u>146,922</u></b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Investments received as a donation	<u>\$ 2,783</u>	<u>\$ 2,171</u>

See accompanying notes to financial statements.

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2008 AND 2007

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.

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, 2008 AND 2007

(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, 2008.

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, 2008 AND 2007

(continued)

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

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.

C. Investments:

Investments amounting to \$2,367 are carried at fair value and consisted of equity securities at May 31, 2008. Unrealized depreciation on investments amounted to \$456 at May 31, 2008.

D. Equipment:

Equipment consisted of the following at May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Computers and software	\$ 55,208	\$ 45,894
Furniture and fixtures	3,034	3,034
	58,242	48,928
Less: Accumulated depreciation	<u>(46,673)</u>	<u>(41,767)</u>
	<u>\$ 11,569</u>	<u>\$ 7,161</u>

E. Intangible Assets:

Intangible assets consisted of the following at May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Website and database development	\$ 38,212	\$ 38,212
Trademark	6,550	6,550
	44,762	44,762
Less: Accumulated amortization	<u>(40,265)</u>	<u>(39,880)</u>
	<u>\$ 4,497</u>	<u>\$ 4,882</u>

VOICE OF THE FAITHFUL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2008 AND 2007

(continued)

F. Donated Services:

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 \$2,258 of miscellaneous donated services related to the convention. During the year ended May 31, 2007, the Organization received donations of miscellaneous services amounting to \$2,005. Total donated services, valued at \$17,233 and \$2,005, are reported as donated services and program services expenses in the accompanying financial statements for the years ended May 31, 2008 and 2007, respectively.

G. Restrictions on Net Assets:

Temporarily restricted net assets at May 31, 2008 and 2007, are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Webmaster position	\$ -	\$ 3,011
Survivor Support Working Group	300	300
Papal U.S. visit activities	5,146	-
New York Times advertisement	3,493	-
	<u>\$ 8,939</u>	<u>\$ 3,311</u>

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.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2008

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and contractors fees	\$ 139,417	\$ 83,133	\$ 94,364	\$ 316,914
Conferences/meetings/events	100,831	-	5,967	106,798
Mail services	30,081	61,073	-	91,154
Marketing	62,310	-	-	62,310
Occupancy	18,580	11,107	12,290	41,977
Postage and delivery	12,320	22,436	1,189	35,945
Other expenses	2,499	1,494	12,604	16,597
Professional fees	-	-	10,750	10,750
Office expense	3,489	1,856	2,360	7,705
Software consulting	2,205	2,205	2,205	6,615
Depreciation	2,172	1,298	1,437	4,907
Printing and publications	3,172	-	188	3,360
Communications	676	-	-	676
Telecommunications	(1,366)	1,105	804	543
Amortization	170	102	113	385
Charitable contributions	50	-	-	50
	<u>\$ 376,606</u>	<u>\$ 185,809</u>	<u>\$ 144,271</u>	<u>\$ 706,686</u>