

Journeys of the Heart

Combined Financial Statements
and Supplementary Information

December 31, 2010 and 2009

Journeys of the Heart
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and Supplementary Information**
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Report of Independent Auditors

To the Board of Directors
Journeys of the Heart
Hillsboro, Oregon

We have audited the accompanying combined statements of assets, liabilities and net assets - cash basis of Journeys of the Heart (a nonprofit organization) as of December 31, 2010 and 2009, and the related combined statements of revenues, expenses and other changes in net assets - cash basis for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 audit 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 our audits provide a reasonable basis for our opinion.

As described in Note 2, these combined financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and net assets of Journeys of the Heart as of December 31, 2010 and 2009, and its revenues, expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 2.

Our audits were conducted for the purpose of forming an opinion of the combined financial statements taken as a whole. The combining statement of revenues, expenses and other changes in net assets - cash basis is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Thompson Kessler Wiest & Borquist PC

June 29, 2011

Journeys of the Heart

Combined Statements of Assets, Liabilities and Net Assets - Cash Basis

	December 31,	
	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 389,607	\$ 569,440
Client deposits	246,838	111,900
Temporarily restricted	25,161	29,595
Total current assets	661,606	710,935
PROPERTY AND EQUIPMENT, net	48,176	59,694
Total assets	\$ 709,782	\$ 770,629
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Client deposits	\$ 243,396	\$ 111,900
Other liabilities - credit cards and withholdings	30,259	23,639
Total current liabilities	273,655	135,539
NET ASSETS		
Unrestricted	410,530	605,059
Temporarily restricted	25,597	30,031
Total net assets	436,127	635,090
Total liabilities and net assets	\$ 709,782	\$ 770,629

See Notes to Combined Financial Statements.

Journeys of the Heart

Combined Statements of Revenues, Expenses and Changes in Net Assets - Cash Basis

	Year Ended December 31,					
	2010		2009			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Program income	\$ 1,939,815	\$	\$ 1,939,815	\$ 2,250,313	\$	\$ 2,250,313
Contributions	29,716	20,064	49,780	45,561	8,821	54,382
Fundraising	14,959		14,959	282		282
Other	15,769	188	15,957	15,650	417	16,067
Net assets released from restrictions	24,526	(24,526)	-	26,793	(26,793)	-
Total revenue and support	2,024,785	(4,274)	2,020,511	2,338,599	(17,555)	2,321,044
EXPENSES						
Salary and wages	930,662		930,662	972,824		972,824
Payroll taxes	103,933		103,933	105,153		105,153
Employee benefits	150,833		150,833	124,800		124,800
Adoption expenses	408,958		408,958	399,113		399,113
Travel	66,228		66,228	59,978		59,978
Advertising	164,459		164,459	109,931		109,931
Occupancy	120,179		120,179	104,273		104,273
Legal and professional	16,085		16,085	12,269		12,269
Insurance	35,787		35,787	28,316		28,316
Supplies	21,049		21,049	26,411		26,411
Postage and shipping	14,703		14,703	22,727		22,727
Equipment rental and maintenance	25,346		25,346	21,430		21,430
Office expense	18,789		18,789	14,867		14,867
Dues and subscriptions	4,250		4,250	3,189		3,189
Fundraising expense	18,466		18,466	-		-
Charitable contributions	50,474		50,474	83,123		83,123
Professional education	19,771		19,771	16,814		16,814
Auto and truck expense	3,696		3,696	5,251		5,251
Business promotion	5,646		5,646	4,859		4,859
Security expense	4,470		4,470	3,294		3,294
Accreditation, taxes and licenses	2,647		2,647	2,463		2,463
Depreciation and amortization	21,176		21,176	23,265		23,265
Hospitality	6,878		6,878	5,467		5,467
Bank and finance charges	4,829	160	4,989	8,418		8,418
Total expenses	2,219,314	160	2,219,474	2,158,235		2,158,235
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	(194,529)	(4,434)	(198,963)	180,364	(17,555)	162,809
NET ASSETS, beginning of year	605,059	30,031	635,090	424,695	47,586	472,281
NET ASSETS, end of year	\$ 410,530	\$ 25,597	\$ 436,127	\$ 605,059	\$ 30,031	\$ 635,090

See Notes to Combined Financial Statements.

Journeys of the Heart
Notes to Combined Financial Statements
December 31, 2010 and 2009

NOTE 1 - DESCRIPTION OF THE ORGANIZATIONS

Journeys of the Heart (JOTH) is an Oregon corporation organized to make private adoption placements in compliance with ORS Chapter 418 and Oregon Administrative Rules governing adoptions and any corresponding sections of federal or state laws or regulations for licensed adoption agencies.

Journeys of the Heart - Illinois (JOTH-Illinois) was organized in Illinois to provide adoption services to impoverished children and children in "harm's way".

Both organizations operate domestically and worldwide.

The combined financial statements include the activities of both of these entities (collectively "the Organization") as they are under common management and have similar representation on the respective boards of directors. Inter-entity transactions have been eliminated on combination.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization maintains its accounts on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Accordingly, revenues and support are recognized when received and expenses are recognized when paid in the statements of revenues, expenses and other changes in net assets. GAAP requires revenues to be recorded when earned and expenses to be recorded when incurred.

Cash and Cash Equivalents - The Organization considers money market funds, certificates of deposit and any other short-term debt securities with a maturity of three months or less at the time of purchase to be cash equivalents.

Concentration of Credit Risk - The Organization maintains cash balances held in FDIC-insured accounts. At December 31, 2010 and 2009, the Organization's uninsured balances approximated \$301,000 and \$415,000, respectively.

Property and Equipment - Furniture, equipment and vehicles are record at cost and depreciated using the straight-line method over an estimated useful life of three years. Leasehold improvements are recorded at cost and amortized using the straight-line method over ten years. Expenditures for repairs and maintenance are charged to expense as incurred; major betterments are capitalized.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent donations received by the Organization that are limited by donor-imposed stipulations.

Journeys of the Heart
Notes to Combined Financial Statements - Continued

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses - Approximately 60% of the Organization's expenses related to program services for the years ended December 31, 2010 and 2009, respectively. Approximately 40% related to supporting services for the years ended December 31, 2010 and 2009, respectively.

Income Taxes - JOTH and JOTH-Illinois are non-profit corporations exempt from federal and state taxation under Internal Revenue Code Section 501(c)(3). Management believes that no activities conducted by JOTH and JOTH-Illinois result in taxation for unrelated business income. Accordingly, no provision for income taxes has been recorded in the accompanying combined financial statements.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

NOTE 3 - CLIENT DEPOSITS

The Organization held \$246,838 and \$111,900 of client deposits at December 31, 2010 and 2009, respectively. These funds are deposited with the Organization by clients and are used to pay for certain adoption fees and expenses charged by other agencies and individuals in connection with the adoption. Any unexpended funds are returned to the client at the conclusion of the adoption.

NOTE 4 - RELATED PARTY TRANSACTIONS

JOTH leases its office space in Hillsboro, Oregon, from the Director of the International Program and the Executive Director (husband and wife). The lease expires April 30, 2012 and requires monthly rent payments of \$1,800. Rent paid for the years ended December 31, 2010 and 2009 was \$19,200.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2010	2009
Furniture and equipment	\$ 122,300	\$ 119,737
Vehicles	17,550	17,550
Leasehold improvements	45,886	46,032
	185,736	183,319
Less accumulated depreciation and amortization	137,560	123,625
Property and equipment, net	\$ 48,176	\$ 59,694

Journeys of the Heart

Notes to Combined Financial Statements - Continued

NOTE 6 - OPERATING LEASES

The Organization is obligated under an operating lease for the use of a copier that expires in 2011. In addition, the Organization has operating leases for office space in several locations. The leases have various termination dates through May 31, 2012. Future minimum lease payments as of December 31, 2010 are as follows:

	<u>Oregon</u>	<u>Illinois</u>	<u>Total</u>
2011	\$ 31,408	\$ 10,310	\$ 41,718
2012	<u>7,200</u>	<u>2,520</u>	<u>9,720</u>
	<u>\$ 38,608</u>	<u>\$ 12,830</u>	<u>\$ 51,438</u>

Rent expense for the years ended December 31, 2010 and 2009 totaled \$67,080 and \$52,080, respectively.

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan covering all employees who are at least 20 years of age with one or more years of service. The Organization may elect to make matching and other discretionary contributions to the plan. Contributions for the years ended December 31, 2010 and 2009 were \$28,732 and \$30,515, respectively.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through R/D, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Journeys of the Heart
Combining Statements of Revenues, Expenses and
Changes in Net Assets - Cash Basis
Year Ended December 31, 2010

	Journeys of the Heart - Oregon			Journeys of the Heart - Illinois	Combined Total
	Unrestricted	Temporarily Restricted	Total		
REVENUE AND SUPPORT					
Program income	\$ 1,594,969		\$ 1,594,969	\$ 344,846	\$ 1,939,815
Contributions	29,716	\$ 20,064	49,780		49,780
Fundraising	11,434		11,434	3,525	14,959
Other	15,484	188	15,672	285	15,957
Net assets released form restrictions	24,526	(24,526)	-		-
Total revenue and support	1,676,129	(4,274)	1,671,855	348,656	2,020,511
EXPENSES					
Salary and wages	815,957		815,957	114,705	930,662
Payroll taxes	90,463		90,463	13,470	103,933
Employee benefits	144,449		144,449	6,384	150,833
Adoption expenses	344,146		344,146	64,812	408,958
Travel	60,110		60,110	6,118	66,228
Advertising	164,170		164,170	289	164,459
Occupancy	98,276		98,276	21,903	120,179
Legal and professional	12,085		12,085	4,000	16,085
Insurance	35,614		35,614	173	35,787
Supplies	21,049		21,049		21,049
Postage and shipping	12,560		12,560	2,143	14,703
Equipment rental and maintenance	19,946		19,946	5,400	25,346
Office expense	16,291		16,291	2,498	18,789
Dues and subscriptions	4,165		4,165	85	4,250
Fundraising expense	15,903		15,903	2,563	18,466
Charitable contributions	50,474		50,474		50,474
Professional education	14,936		14,936	4,835	19,771
Auto and truck expense	3,668		3,668	28	3,696
Business promotions	5,646		5,646		5,646
Security expense	4,038		4,038	432	4,470
Accreditation, taxes and licenses	2,031		2,031	616	2,647
Depreciation and amortization	19,166		19,166	2,010	21,176
Hospitality	6,064		6,064	814	6,878
Bank and finance charges	4,275		4,275	714	4,989
Total expenses	1,965,482	-	1,965,482	253,992	2,219,474
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ (289,353)</u>	<u>\$ (4,274)</u>	<u>\$ (293,627)</u>	<u>\$ 94,664</u>	<u>\$ (198,963)</u>

See Independent Auditors' Report.