

# KESSLER & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Journeys of the Heart:

We have audited the accompanying combined statement of financial position-cash basis of Journeys of the Heart (a non-profit organization) as of December 31, 2004, and the related combined statement of cash receipts and disbursements-cash basis for the year 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 audit.

We conducted our audit 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 that our audit provides 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 financial position of Journeys of the Heart as of December 31, 2004, and its cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Kessler & Company PC*

Portland, Oregon  
April 26, 2005

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Journeys of the Heart  
P.O. Box 39  
Hillsboro, Oregon 97123

April 28, 2006

Kessler & Company, P.C.  
715 S.W. Morrison Street, Tenth Floor  
Portland, Oregon 97205

We are providing this letter in connection with your audit of the statements of financial position of Journeys of the Heart as of December 31, 2005 and 2004 and the related statements of cash receipts and disbursements for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of Journeys of the Heart in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
  2. We have made available to you all:
    - a. Financial records and related data.
    - b. Minutes of meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  5. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Organization's accounts.
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6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
  7. We have no knowledge of any fraud or suspected fraud affecting the Organization involving:
    - a. Management,
    - b. Employees who have significant roles in internal control, or
    - c. Others where the fraud could have a material effect on the financial statements.
  8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications for employees, former employees, regulators, or others.
  9. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities or net assets balances.
  10. The following, if any, have been properly recorded or disclosed in the financial statements:
    - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
  11. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significant financially disruptive effect on the normal functioning of the Organization.
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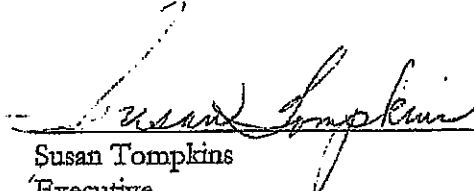
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
  13. Journeys of the Heart is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorizations are up-to-date.
  14. There are no:
    - a. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
    - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No.5, and we have not consulted a lawyer concerning litigation, claims, or assessments.
    - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
    - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
  15. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as made known to you and disclosed in the notes to the financial statements.
  16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
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17. Except as disclosed in the financial statements, no events have occurred subsequent to the financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

  
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Susan Tompkins  
Executive