Report of Independent Auditors and Financial Statements
with Supplemental Information for

Holt International Children's Services, Inc.

December 31, 2010
(With Comparative Financial Statements for 2009)

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Holt International Children's Services, Inc.
Eugene, Oregon

We have audited the accompanying statement of financial position of Holt International Children's Services, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, cash flows, and functional expenses 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. The prior year summarized comparative information has been derived from the Organization's financial statements as of and for the year ended December 31, 2009, which were audited by other auditors whose report dated March 8, 2010, expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holt International Children's Services, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Holt International Children's Services, Inc. financial statements for the year ended December 31, 2009, from which summarized comparative information was derived.

Moss Adams LLP

Eugene, Oregon
March 23, 2011

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

ASSETS

	DECEMBER 31, 2010	DECEMBER 31, 2009
CURRENT ASSETS		
Cash and cash equivalents	$ 2,156,303	$ 2,301,182
Receivables	1,013,927	1,044,683
USAID grant receivable	-	49,833
Prepaid expenses and supplies	372,820	444,837
Prepaid support - Holt Children's Services, Korea	1,467,466	1,001,820
Promises to give, restricted, net of discount	144,100	-
Other promises to give, net of discount	12,500	-
Investments	206,203	558,643
Total current assets	5,373,319	5,400,998
OTHER ASSETS		
Promises to give, long-term, restricted, net of discount	374,999	-
Other promises to give, long-term, net of discount	12,342	-
Investments, long-term	3,614,246	3,000,462
Investments, restricted, long-term	2,233,181	2,098,151
Investments restricted for trust and annuity obligations, long-term	324,230	298,933
Land, building, and equipment, net of accumulated depreciation	1,500,801	1,552,388
Total other assets	8,059,799	6,949,934
TOTAL ASSETS	$ 13,433,118	$ 12,350,932

See accompanying notes.

LIABILITIES AND NET ASSETS

	DECEMBER 31,	
	2010	2009
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 699,510	$ 504,257
International Program support payable	682,414	313,835
Deferred adoption fee revenue	3,989,804	3,555,474
Deferred transportation fees	76,070	136,940
Deferred revenue - other	13,325	1,000
Annuity obligation, current portion	9,284	10,849
Total current liabilities	5,470,407	4,522,355
LONG-TERM LIABILITIES		
Deferred compensation	94,395	95,764
Annuity obligation	184,758	194,042
Total long-term liabilities	279,153	289,806
Total liabilities	5,749,560	4,812,161
Net assets		
Unrestricted net assets:		
Undesignated net assets	1,792,773	2,902,087
Board designated endowment	1,892,972	1,564,115
Temporarily restricted net assets	1,245,533	974,418
Permanently restricted net assets	2,752,280	2,098,151
Total net assets	7,683,558	7,538,771
TOTAL LIABILITIES AND NET ASSETS	$ 13,433,118	$ 12,350,932

See accompanying notes.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
STATEMENT OF ACTIVITIES
With Summarized Comparative Information for the Year Ended December 31, 2009

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals
Revenues and other support					
Public support:					
Contributions:					
Sponsorships	$ 279,802	$ 7,181,803	$ -	$ 7,461,605	$ 5,474,964
Other contributions	1,086,523	2,323,096	64,030	3,473,649	3,678,392
Promises to give	-	39,842	590,099	629,941	-
Grants received:					
USAID grant, Ukraine	230,524	-	-	230,524	528,278
Other	-	372,729	-	372,729	357,037
Revenues:					
Adoption fees	10,579,355	-	-	10,579,355	11,594,872
Transportation fees	225,570	-	-	225,570	384,260
Investment, principally interest, net of investment fees of $26,165 in 2010 and $22,227 in 2009	93,594	26,892	-	120,486	152,986
Tour charges	297,491	-	-	297,491	354,620
Adoptee services	167,255	-	-	167,255	145,030
Publication sales, net of expenses of				-	
$26,492 in 2010 and $40,053 in 2009	3,556	-	-	3,556	6,184
Other revenue	11,304	-	-	11,304	15,722
Gains:				-	
Gain (loss) on sale of assets	(185,840)	-	-	(185,840)	3,532
Net unrealized/realized gain on investments	500,756	197,365	-	698,121	906,558
Net assets released from restrictions	9,870,612	(9,870,612)	-	-	-
Total revenues and other support	23,160,502	271,115	654,129	24,085,746	23,602,435
Expenses					
Program services:					
U.S. Program	6,664,654	-	-	6,664,654	6,140,110
International Program	2,012,303	-	-	2,012,303	2,223,452
International Program Support:					
Holt Children's Services - Korea	2,422,448	-	-	2,422,448	3,069,761
Other	6,751,801	-	-	6,751,801	5,863,317
Total program services	17,851,206	-	-	17,851,206	17,296,640
Supporting services:					
Management and general	2,241,976	-	-	2,241,976	2,070,851
Fundraising	3,847,777	-	-	3,847,777	2,734,889
Total supporting services	6,089,753	-	-	6,089,753	4,805,740
Total expenses	23,940,959	-	-	23,940,959	22,102,380
Change in net assets	(780,457)	271,115	654,129	144,787	1,500,055
Net assets, beginning of year	4,466,202	974,418	2,098,151	7,538,771	6,038,716
Net assets, end of year	$ 3,685,745	$ 1,245,533	$ 2,752,280	$ 7,683,558	$ 7,538,771

See accompanying notes.

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 144,787	$ 1,500,055
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	200,478	152,676
Provision for uncollectible promises to give	15,000	-
Realized (gain) loss on disposal of equipment	185,840	(3,532)
Realized (gain) loss on sale of investments	(16,813)	81,572
Unrealized gain on investments	(681,308)	(988,130)
Contributions restricted for annuity agreement	-	(34,337)
Contributions restricted for endowments	(742,412)	(220,765)
Amortization of discount:		
Promises to give restricted for long-term purposes	33,901	-
Other promises to give	158	-
(Increase) decrease in:		
Receivables	30,756	62,651
USAID grant receivable	49,833	(15,445)
Prepaid expenses and supplies	72,017	106,004
Prepaid support - Holt Children's Services, Korea	(465,646)	127,540
Other promises to give	(25,000)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	195,253	(102,683)
International Program support payable	368,579	(225,260)
Deferred revenue - other	12,325	(5,000)
Deferred adoption fee revenue	434,330	(69,646)
Deferred transportation fees	(60,870)	(26,600)
Deferred compensation	(1,369)	(16,469)
Net cash provided (used) by operating activities	(250,161)	322,631
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	1,085	4,601
Purchases of building and equipment	(335,816)	(188,960)
Proceeds from sale of investments	660,920	458,774
Purchase of investments	(384,470)	(591,396)
Net cash used by investing activities	(58,281)	(316,981)

See accompanying notes.

	YEAR ENDED DECEMBER 31,	
	2010	2009
CASH FLOWS FOR FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investment subject to annuity agreements	-	116,282
Other financing activities:		
Endowment contributions invested	103,412	220,765
Contributions restricted for long-term purposes	71,000	-
Payments of annuity obligations	(10,849)	(8,893)
Net cash provided by financing activities	163,563	328,154
Net increase (decrease) in cash and cash equivalents	(144,879)	333,804
CASH AND CASH EQUIVALENTS, beginning of year	2,301,182	1,967,378
CASH AND CASH EQUIVALENTS, end of year	$ 2,156,303	$ 2,301,182

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	Program Services				Supporting Services				
	U.S. Program	International Program	International Program Support	Total	Management and General	Fundraising	Total	Total Program and Support	2009 Total Program and Support
Salaries	$ 3,502,683	$ 596,480	$ -	$ 4,099,163	$ 868,936	$ 889,013	$ 1,757,949	$ 5,857,112	$ 5,548,421
Employee health and retirement benefits	604,204	59,803	-	664,007	166,561	167,465	334,026	998,033	927,011
Payroll taxes	301,199	62,397	-	363,596	74,955	76,578	151,533	515,129	486,452
Total salaries and related expenses	4,408,086	718,680	-	5,126,766	1,110,452	1,133,056	2,243,508	7,370,274	6,961,884
Grants and support	-	-	9,174,249	9,174,249	-	-	-	9,174,249	8,933,078
Intercountry transportation	204,588	-	-	204,588	-	-	-	204,588	357,079
Child care, clothes, and medicine	143,705	201,398	-	345,103	-	-	-	345,103	426,151
Professional fees	439,174	270,965	-	710,139	232,519	328,713	561,232	1,271,371	1,210,958
Supplies	39,100	52,039	-	91,139	54,525	21,090	75,615	166,754	139,574
Postage and shipping	250,181	5,103	-	255,284	9,331	99,300	108,631	363,915	327,251
Telephone	79,462	23,601	-	103,063	32,077	20,361	52,438	155,501	156,713
Building occupancy	158,031	195,192	-	353,223	299,287	1,200	300,487	653,710	603,810
Rental of equipment	6,325	4,160	-	10,485	60,056	-	60,056	70,541	75,583
Printing, publication, and other graphics	222,236	21,026	-	243,262	38,311	2,054,876	2,093,187	2,336,449	1,258,184
Travel and allowances:									
Staff	543,559	203,285	-	746,844	47,654	153,764	201,418	948,262	870,682
Board	-	-	-	-	45,519	-	45,519	45,519	25,739
Staff development	11,091	8,724	-	19,815	8,040	3,583	11,623	31,438	30,571
Bad debt	-	-	-	-	15,000	-	15,000	15,000	
Tours and other expenses	70,888	239,799	-	310,687	259,122	17,998	277,120	587,807	572,447
Total before depreciation	6,576,426	1,943,972	9,174,249	17,694,647	2,211,893	3,833,941	6,045,834	23,740,481	21,949,704
Depreciation	88,228	68,331	-	156,559	30,083	13,836	43,919	200,478	152,676
Total expenses	$ 6,664,654	$ 2,012,303	$ 9,174,249	$ 17,851,206	$ 2,241,976	$ 3,847,777	$ 6,089,753	$ 23,940,959	$ 22,102,380
2010 percentage of total functional expenses	27.8%	8.4%	38.3%	74.6%	9.4%	16.1%	25.4%	100%	100%
2009 percentage of total functional expenses	27.8%	10.1%	40.4%	78.3%	9.4%	12.4%	21.7%	100%	100%

See accompanying notes.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holt International Children's Services, Inc. (HICS) is a not-for-profit corporation organized in the state of Oregon, with offices in Oregon, Washington, Nebraska, New Jersey, California, Iowa, Kansas, and Missouri. HICS coordinates and facilitates child and family services, including adoption from Europe, Africa, Asia, and Latin America for families in the United States. HICS also coordinates a variety of social service programs in the areas in which it operates.

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recognized in the period in which they are incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HICS and changes therein are classified and reported as follows:

> *Undesignated unrestricted net assets* - Net assets of HICS that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations - that is, the part of net assets resulting from (a) all revenues, expenses, gains and losses that are not changes in permanently restricted or temporarily restricted net assets and (b) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of HICS pursuant to those stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of HICS and the purposes specified in its articles of incorporation or bylaws.
>
> *Board Designated Endowment* - HICS's Board of Directors has designated a portion of bequests to be held in perpetuity to benefit the general purposes of the organization according to policies adopted by the Board of Directors.
>
> *Temporarily Restricted Net Assets* - Net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HICS pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of HICS pursuant to those stipulations.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Net assets of HICS resulting from (a) contributions and other inflows of assets whose use by HICS is limited by donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or otherwise removed by actions of HICS, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

***Cash and cash equivalents* -** Cash primarily consists of interest-bearing demand deposits with a regional financial institution, as well as a variety of minor cash accounts located in the countries where HICS operates. Cash equivalents consist of highly liquid investments with original maturities of three months or less. These deposits may, from time to time, exceed the limits of depository insurance, which would subject HICS to credit risk; however, management makes deposits in institutions with high credit quality which have not historically incurred credit losses. Additionally, HICS does not believe it is exposed to any significant credit risk on cash, and has not experienced any losses in such accounts.

***Receivables* -** HICS's accounts receivable reflect amounts due from prospective parents following assignment of the adoptive child. There is no interest charged on these accounts receivable. Substantially all balances are collected before completion of services by HICS; therefore, management believes the potential for risk of loss to HICS for uncollectible balances is not significant. Concentrations of credit risk with respect to these receivables are limited due to a large client base and its geographic dispersion.

***Prepaid support* -** A portion of International Program support payments become payable to Holt Children's Services - Korea (HCS - Korea), a Korean corporation independent of HICS, when adoption fees for Korean children are received by HICS from the adopting family. Amounts paid and payable under this agreement are recorded as prepaid support until the arrival date of the child, at which time they are expensed as International Program support.

***Investments* -** Investments consist primarily of debt and equity securities with readily determined fair value are reflected in the financial statements at fair market value. Realized and unrealized gains and losses, and investment income (interest and dividends) are included in the statement of activities. Certificates of deposit, which are included in investments, are invested with federally insured financial institutions in amounts substantially covered by deposit insurance. Investment transactions are recorded on a trade-date basis. The cost of securities sold is based on specific identification. Interest is accrued as earned and dividends are recorded on the ex-dividend date.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In that HICS investments are comprised primarily of mutual funds and public equities, significant changes in prevailing interest rates and market conditions may adversely affect the timing and amount of cash flows on such investments and their related values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that change in values in the near term could materially affect HICS financial position and the amounts reported.

Restricted investments represent amounts held for endowment fund purposes.

Endowment fund policy - HICS endowment consists of donor-restricted endowment funds for a variety of purposes and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of HICS has interpreted the Oregon Uniform Prudent Management of Institutional Funds Act (OUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HICS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HICS in a manner consistent with the standard of prudence prescribed by OUPMIFA. In accordance with OUPMIFA, HICS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purposes of HICS and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of HICS
g. The investment policies of HICS

HICS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair market value of the endowment assets.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment assets include those assets of donor-restricted funds that HICS must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. HICS endowment investment strategy is to emphasize long-term growth as measured by total return, while avoiding excessive risk. The primary investment objective is to achieve a balanced return of income consistent with principal growth and to achieve a rate of return, net of fees, to exceed a return of relevant indices or other benchmarks as determined HICS's Finance Committee and the Investment Manager.

To satisfy its long-term rate-of-return objectives, HICS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HICS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

HICS has a policy of appropriating for distribution each year amounts not to exceed five percent of its endowment fund's average fair value over the prior three years through the calendar year-end in which the distribution is planned. In establishing this policy, HICS expects the current spending policy to allow its endowment to grow while also providing a predictable stream of funding to programs supported by the endowment. This is consistent with HICS's objective to maintain the fair market value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Board of Directors has established guidelines for the utilization of the Endowment Fund maintained to benefit the general purposes of HICS. The policy sets forth that HICS shall accept current and deferred gifts to the Endowment Fund. HICS policy is to maintain the principal of the fund in perpetuity.

Endowment fund investments are limited to individual marketable securities or funds in cash equivalents, fixed income securities, equity securities, mutual funds, and real estate investment trusts.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments - The Organization has adopted Financial Accounting Standards Board ("FASB") authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of HICS financial instruments have generally been determined to fall within Level 1 of the valuation hierarchy.

Land, building, equipment, and depreciation **-** Land, building, and equipment in excess of $500 are capitalized at cost. Major renewals or betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to expense. Contributed property and equipment is capitalized at its fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed by the straight-line method using the estimated useful lives of the building and equipment, which generally range from 7 to 30 years for buildings and 3 to 10 years for equipment.

Deferred adoption fee revenue, public support, revenue, and gains - The portion of Korean children adoption fee revenue relating to International Program support is deferred at time of assignment and recognized when the child arrives from Korea. The balance of the Korean children adoption fees and the adoption fees for children from other countries is deferred at the time of assignment. The deferred adoption fees are recognized into revenue ratably between the date of assignment and the date which adoption is finalized by the court.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred transportation fees - Deferred transportation fees represent the amounts billed for transportation charges to be recognized as revenue when adopted children arrive in the United States and the related transportation expense has been incurred.

Revenue recognition **-** Contributions received are recorded at their estimated fair value at the date of donation as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HICS recognizes revenue on cost reimbursement grants as qualified expenses are incurred, subject to the amount authorized in the grant agreement. Unreimbursed grant expenses due from grantor agencies are reflected in the financial statements as receivables and revenues. HICS requests reimbursement for allowable grant expenses by a Letter of Credit Agreement.

Fee for service revenue is recognized when the service is performed. Proceeds from fundraising events are recognized as revenue during the fiscal year that the fundraising events occur.

Promises to give **-** Pledges receivable are unconditional promises to give. Unconditional promises 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 their estimated future cash flows. The discounts on those amounts are computed at a rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received. Amortization of the discount is reported in subsequent periods as additional contributions.

HICS uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based upon prior experience and management's analysis of specific promises made.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services and materials **-** HICS receives donated services from a variety of unpaid volunteers who assist with programs in non-specialized roles. Approximately 10,000 hours were donated by unpaid volunteers in the years ended December 31, 2010 and 2009, respectively. In addition to these volunteer hours, HICS also receives donated services from a variety of unpaid volunteers who help with fundraising events throughout the year. No amounts have been reflected in the financial statements for donated services. HICS pays for most services requiring specific expertise.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Income taxes* -** HICS is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. HICS has also been classified as an entity that is not a private foundation within the meaning of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in the financial statements pursuant to Accounting Standards Codification (ASC) 740, *Income Taxes*. HICS generally evaluates any uncertain tax positions consistent with the accounting and disclosure requirements of ASC 450, *Contingencies.* HICS did not have any uncertain tax positions in connection with these financial statements.

***Use of estimates* -** The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of 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.

Subsequent events - Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Subsequent to year end, HICS formed the Holt International Foundation of China ("Foundation") to conduct adoption and humanitarian activities within China. The activities of the newly formed Foundation will be consolidated with HICS for purposes of financial reporting for the year ending December 31, 2011.

The Organization has evaluated subsequent events through March 23, 2011, which is the date the financial statements are available to be issued, other than the events described above, there were no other events subsequent to year end for disclosure within the financial statements.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified to conform with current year presentation.

***Advertising costs* -** HICS's advertising costs are expensed as incurred. The total expense was $1,680,185 in 2010 and $826,825 in 2009, respectively.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior year summarized comparative information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with HICS financial statements for the year ended December 31, 2009, from which summarized comparative information was derived.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, cash and cash equivalents consisted of the following:

	DECEMBER 31,	
	2010	2009
Cash on hand	$ 3,044	$ 4,810
Checking accounts	332,562	443,215
Money markets	1,820,697	1,853,157
Total cash and cash equivalents	$ 2,156,303	$ 2,301,182

NOTE 3 - INVESTMENTS

At December 31, HICS's investments consisted of the following:

	DECEMBER 31,	
	2010	2009
Certificates of deposit	$ 206,203	$ 558,643
Corporate bonds	23,625	20,000
Equity securities	64,691	54,856
Mutual funds (various funds):		
Multi-Financial Securities Corp.	4,560,355	3,951,053
U.S. Bank	1,516,439	1,364,620
Other funds	6,547	7,017
Total investments	$ 6,377,860	$ 5,956,189

NOTE 3 - INVESTMENTS (Continued)

At December 31, a summary of investments was as follows:

	DECEMBER 31,	
	2010	2009
Balance, January 1	$ 5,956,189	$ 4,917,009
Investment activity:		
Purchase of investments	384,470	591,396
Sale of investments	(660,920)	(458,774)
Net principal increase (decrease)	(276,450)	132,622
Investment returns:		
Realized and unrealized gains	698,121	906,558
Balance, December 31	$ 6,377,860	$ 5,956,189

For the year ended December 31, return on investments consisted of the following:

	DECEMBER 31,	
	2010	2009
Interest and dividends	$ 120,486	$ 152,986
Unrealized gains	681,308	988,130
Realized gains (losses)	16,813	(81,572)
Total return on investments	$ 818,607	$ 1,059,544

NOTE 4 - FAIR VALUE MEASUREMENT

The Organization classifies its investments in accordance with the fair value hierarchy discussed above. The following table discloses by level the fair value hierarchy as of December 31, 2010 and 2009:

	INVESTMENT ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2010			
Description	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 129,160	$ -	$ -	$ 129,160
Certificates of deposit	206,203	-	-	206,203
U.S. corporate bonds	23,625	-	-	23,625
U.S. corporate equities	64,691	-	-	64,691
U.S. fixed income funds	1,250,254	-	-	1,250,254
International fixed income funds	48,488	-	-	48,488
U.S. equity funds	2,866,386	-	-	2,866,386
International equity funds	1,782,506	-	-	1,782,506
Funds held in insurance company	6,547	-	-	6,547
	$ 6,377,860	$ -	$ -	$ 6,377,860

	INVESTMENT ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2009			
Description	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 249,209	$ -	$ -	$ 249,209
Certificates of deposit	558,643	-	-	558,643
U.S. corporate bonds	20,000	-	-	20,000
U.S. corporate equities	54,856	-	-	54,856
U.S. fixed income funds	1,084,004	-	-	1,084,004
International fixed income funds	50,703	-	-	50,703
U.S. equity funds	2,442,198	-	-	2,442,198
International equity funds	1,489,559	-	-	1,489,559
Funds held in insurance company	7,017	-	-	7,017
	$ 5,956,189	$ -	$ -	$ 5,956,189

NOTE 5 - PROMISES TO GIVE

At December 31, promises to give consisted of the following:

	2010
Promises to give restricted for long term purposes	$ 568,000
Other promises to give	25,000
Gross promises to give	593,000
Less allowance for uncollectible promises to give	(15,000)
Discount to present value	(34,059)
Net promises to give	$ 543,941
Amounts Due In:	
Less than one year	$ 156,600
One to five years	343,500
More than five years	92,900
Total promises to give	$ 593,000

The discount rates used to determine present values are based on U.S. Treasury note rates for comparable maturities at the date of the pledge. There were no promises to give for the year ended December 31, 2009.

NOTE 6 - LAND, BUILDING AND EQUIPMENT

At December 31, land, building, and equipment consisted of the following:

	DECEMBER 31,	
	2010	2009
Construction-in-progress	$ -	$ 185,574
Land	702,716	702,716
Building	949,586	1,015,588
Office equipment	1,590,563	1,338,314
Transportation equipment	174,599	127,670
	3,417,464	3,369,862
Accumulated depreciation	(1,916,663)	(1,817,474)
Net land, building, and equipment	$ 1,500,801	$ 1,552,388

Depreciation expense for 2010 and 2009 was $200,478 and $152,676, respectively. During 2010, expenditures previously capitalized as construction in progress were written off as the amounts related to development expenses for a building that was never constructed. The amount of construction in progress written off totaled approximately $185,000 for the year ended December 31, 2010.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, components of temporarily restricted net assets consisted of the following:

	DECEMBER 31,	
	2010	2009
Program		
Cambodia	$ -	$ 393
Camps	-	2,797
China	55,190	59,561
Endowment earnings	377,818	248,923
Ethiopia	25,307	10,075
Gift Annuity	130,188	93,447
Guatemala	251,463	302,790
Haiti	112,174	41,074
India	5,605	1,300
Mongolia	75	-
Nepal	25	-
Philippines	1,173	1,205
Romania	145	-
South Korea	88,326	96,455
Special Needs Fund	53,195	6,677
Uganda	15,070	79,906
Ukraine	-	21,028
Vietnam	54,779	8,787
2011 International Forum	75,000	-
Total temporarily restricted net assets	$ 1,245,533	$ 974,418

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2010 and 2009, of $2,752,280 and $2,098,151 respectively, consisted of endowment funds which are permanently restricted as stipulated by the donors.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. These amounts released during the year are as follows:

	DECEMBER 31,	
	2010	2009
Purpose of restriction:		
Program services:		
U.S. Program	$ 779,387	$ 596,998
International Program	704,629	854,392
International Program support:		
Holt Children's Services - Korea	554,059	537,717
Other	4,633,507	3,706,377
Supporting Services:		
Management and general	201,583	115,891
Fundraising	2,995,702	2,103,742
Acquisition of assets:		
Computers	1,745	-
	$ 9,870,612	$ 7,915,117

NOTE 10 - ENDOWMENT FUND

At December 31, 2010 the Endowment Fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Donor-restricted endowment funds	$ -	$ 377,818	$ 2,752,280	$ 3,130,098
Board-designated endowment funds	1,892,972	-	-	1,892,972
Total Endowment Fund	$ 1,892,972	$ 377,818	$ 2,752,280	$ 5,023,070

NOTE 10 - ENDOWMENT FUND (Continued)

At December 31, 2009 the Endowment Fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Donor-restricted endowment funds	$ -	$ 248,923	$ 2,098,151	$ 2,347,074
Board-designated endowment funds	1,564,115	-	-	1,564,115
Total Endowment Fund	$ 1,564,115	$ 248,923	$ 2,098,151	$ 3,911,189

A summary of 2010 Endowment Fund activity was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Balance, January 1, 2010	$ 1,564,115	$ 248,923	$ 2,098,151	$ 3,911,189
Endowment Contributions	39,382	-	64,030	103,412
Pledge Endowment Contributions	-	15,000	590,099	605,099
	39,382	15,000	654,129	708,511
Appropriated expenditures	(137,954)	(62,966)	-	(200,920)
Investment returns:				
Unrealized gain on endowment	350,912	145,297	-	496,209
Return on endowment investments	76,517	31,564	-	108,081
Investment returns, net	427,429	176,861	-	604,290
Balance, December 31, 2010	$ 1,892,972	$ 377,818	$ 2,752,280	$ 5,023,070

NOTE 10 - ENDOWMENT FUND (Continued)

A summary of 2009 Endowment Fund activity was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Balance, January 1, 2009	$ 985,649	$ 62,948	$ 2,025,641	$ 3,074,238
Endowment Contributions	148,255	-	72,510	220,765
Pledge Endowment Contributions	-	-	-	-
	148,255	-	72,510	220,765
Appropriated expenditures	(132,727)	(45,632)	-	(178,359)
Investment returns:				
Unrealized gain on endowment	515,307	212,679	-	727,986
Return on endowment investments	47,631	18,928	-	66,559
Investment returns, net	562,938	231,607	-	794,545
Balance, December 31, 2009	$ 1,564,115	$ 248,923	$ 2,098,151	$ 3,911,189

NOTE 11 - FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES

Expenses for HICS are summarized according to function classification of program services and supporting services. Certain expenses are allocated among functions based on a variety of methods. Program services include U.S. Program and International Program expenses. Support services include management and general, and fund raising expenses.

Program Services

U.S. Program

U.S. Program services consist of United States based expenses for professional services incurred in connection with placing children for adoption, including family preparation, post-placement counseling, and international processing, which includes transportation, public education concerning adoption issues, providing information to sponsors concerning their sponsored child, and management assistance and program development for international programs.

NOTE 11 - FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES (Continued)

International Program

International Program services consist of direct expenses incurred by HICS in other countries for adoption services, permanency planning services for children, social work training for indigenous staff, counseling and assistance for displaced families and individuals, and management assistance and program development for international programs.

International Program services provided were as follows:

	DECEMBER 31,	
	2010	2009
Cambodia	$ 34,799	$ 26,463
China	173,132	199,712
Ethiopia	827,440	715,311
Guatemala	322,010	223,792
Haiti	2,025	4,319
India	1,996	4,427
Mongolia	2,300	2,000
Nepal	45,709	61,054
North Korea	-	2,077
South Korea	90,081	154,360
Thailand	1,522	-
Uganda	17,112	8,913
Ukraine	186,462	423,824
Vietnam	307,715	397,200
Total International Program services provided	$ 2,012,303	$ 2,223,452

NOTE 11 - FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES (Continued)

International Program Support

HICS provides financial support to various organizations which operate under the control of a separate Board of Directors that are independent of HICS.

The support furnished to HCS - Korea consists of a negotiated amount of adoption fees related to Korean children, contributions received that are designated for HCS - Korea, plus such other grants that may be made at the discretion of HICS Board of Directors.

For the year ended December 31, support for HCS - Korea consisted of the following:

	DECEMBER 31,	
	2010	2009
Fees	$ 1,787,252	$ 2,455,428
Contributions restricted for HCS - Korea	554,059	537,717
Support	81,137	76,616
Total International Program support HCS - Korea	$ 2,422,448	$ 3,069,761

NOTE 11 - FUNCTIONAL EXPENSES, PROGRAM, AND SUPPORTING SERVICES (Continued)

Payments to other foreign organizations are based on fiscal policies and agreements for support of the respective in-country programs. For the year ended December 31, support provided was as follows:

	DECEMBER 31,	
	2010	2009
Bulgaria	$ 13,529	$ 13,645
Cambodia	42,750	44,555
China	3,207,418	3,064,322
Ethiopia	1,124,739	549,095
Guatemala	73,250	40,656
Haiti	470,952	360,196
India	622,440	525,345
Mongolia	63,147	10,588
Nepal	34,895	34,105
North Korea	145,904	127,704
Philippines	226,249	209,788
Romania	205,886	365,238
Thailand	295,355	276,955
Uganda	205,287	167,345
Vietnam	20,000	-
Ukraine	-	73,780
Total International Program support, other	$ 6,751,801	$ 5,863,317

Supporting Services

♦ Management and general - Costs not identifiable with a single program or fund raising activity, but are indispensable to those activities and to the organization.

♦ Fund raising - Costs incurred to obtain contributions for which the contributor will receive no direct economic benefit.

NOTE 12 - JOINT COST ALLOCATION

The Organization incurred expenses that were identifiable with a particular function but served joint purposes. Expenses related to certain events, donor communications, and program materials jointly support adoption, sponsorship, fundraising or management and general. These expenses were allocated by their functional classification as follows at December 31:

	DECEMBER 31,	
	2010	2009
Adoption program	$ 253,845	$ 263,869
Sponsorship program	447,759	350,867
Management and general	40,656	8,704
Fundraising	2,420,880	1,391,630
Total joint costs allocated	$ 3,163,140	$ 2,015,070

NOTE 13 - PENSION PLAN

Substantially all employees with two years of service are covered by a defined contribution money-purchase pension plan. HICS makes monthly contributions to the plan equal to the accrued pension cost. Pension expense represents 7 percent of an eligible employee's salary. Total pension expense was $271,992 in 2010 and $305,909 in 2009.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Operating Leases - Rental expense was $369,658 and $316,436 in 2010 and 2009, respectively. HICS is obligated under certain noncancelable operating leases which call for periodic adjustments to the minimum rental payments. Estimated future minimum rental payments are as follows:

For the Year Ending December 31,	
2011	$ 217,000
2012	95,000
2013	60,000
2014	-
2015	-
Thereafter	-
	$ 372,000

Contract Commitments - Subsequent to year end, HICS entered into contracts with unrelated parties to promote its international adoption services and acquire sponsorship donors. The terms allowed for the parties to cancel the contract upon 30 days written notice or upon mutual consent of the parties. These contracts commence January 2011 and it is anticipated that HICS will pay total fees of $1.7 million during 2011.

NOTE 15 - GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of HICS. Management believes that unallowable costs, if any, would not be significant and would not have a material effect on HICS's financial position.

NOTE 16 - CONCENTRATION OF RISK - ADOPTION SERVICES

Approximately 44 percent in 2010 and 49 percent in 2009 of HICS's revenue was derived from the adoption services it provided in various countries, including Korea, China, Ethiopia and India. A significant delay in the adoption process or the loss of the ability to coordinate adoptions in these countries could adversely affect operations. However, management believes it has good relations with these countries, and does not expect any significant delays or hindrances in providing these services.

SUPPLEMENTAL INFORMATION

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Holt International Children's Services, Inc.
Eugene, Oregon

Our report on our audit of the statement of financial position of Holt International Children's Services, Inc. as of December 31, 2010, and the related statements of activities, cash flows, and functional expenses for the year ended December 31, 2010 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole for the date specified. The accompanying supplemental information on pages 30 to 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
March 23, 2011

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

HOLT INTERNATIONAL CHILDREN'S SERVICES, INC.
SCHEDULE OF INDIRECT COST RATE
FOR THE YEAR ENDED DECEMBER 31, 2010

Salaries	$ 868,936
Employee health and retirement benefits	166,561
Payroll taxes	74,955
Total salaries and related expenses	1,110,452
Professional fees	232,519
Supplies	54,525
Postage and shipping	9,331
Telephone	32,077
Building occupancy	299,287
Rental of equipment	60,056
Printing, publications, and graphics	38,311
Travel and allowances:	
Staff	47,654
Board	45,519
Staff development	8,040
Tours and other expenses, less unallowable costs	248,468
Depreciation	30,083
Total allowable management and general expenses	$ 2,216,322
Total direct U.S. and International Program services	$ 8,676,957
Fund raising	3,847,777
Total direct program services and fund raising expenses	$ 12,524,734
Indirect cost rate	17.7%

Indirect Cost Pool

Indirect costs (management and general) represent expenses incurred at the corporate headquarters and United States branch offices of HICS, which benefit all of the Organization's programs and projects. These costs are maintained in one pool, which is then allocated between program services and fund raising. Both functions benefit to approximately the same degree and, therefore, only one indirect cost rate is calculated.

The indirect cost pool excludes the following unallowable costs:

- Fund raising expenses
- Entertainment expenses
- Interest expense
- Bad debt allowance

Indirect Cost Base

The base amount used in calculating the indirect cost rate is the total direct program service cost incurred for both U.S. and International Program operations, excluding International Program support for HICS overseas affiliate programs and capital expenditures.

Rate Calculation

The indirect cost rate is calculated as follows:

$$\frac{\text{Total Management and General Costs}}{\text{Total Program Service Costs plus Total Fund Raising Expenses}} = \underline{\underline{\text{Indirect Cost Rate}}}$$