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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

ADOPTIONS TOGETHER, INC.

DECEMBER 31, 2011 AND 2010

Adoptions Together, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adoptions Together, Inc.

We have audited the accompanying statement of financial position of Adoptions Together, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows 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 December 31, 2010 financial statements and, in our report dated July 15, 2011, we expressed an unqualified opinion on those financial 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adoptions Together, Inc. as of December 31, 2011, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
July 30, 2012

Adoptions Together, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ 1,121,123	$ 760,754
Investments	1,376	6,758
Accounts and grants receivable, net of allowance for uncollectible accounts of $81,704 and $83,180, respectively	320,438	587,119
Prepaids and other	50,665	70,399
Total current assets	1,493,602	1,425,030
Property and equipment		
Furniture and equipment	405,728	396,615
Leasehold improvements	30,201	30,201
Total property and equipment	435,929	426,816
Less accumulated depreciation and amortization	(374,488)	(337,793)
Net property and equipment	61,441	89,023
Other assets		
Deposits	35,957	12,602
Total assets	$ 1,591,000	$ 1,526,655

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Accounts payable and accrued expenses	$ 77,927	$ 78,580
Accrued salaries and related expenses	224,610	193,423
Deferred revenue	449,984	589,065
Capital lease obligations, current portion	28,628	11,956
Deferred rent	13,430	19,462
Total current liabilities	794,579	892,486
Capital lease obligations, noncurrent	37,163	69,873
Total liabilities	831,742	962,359
Net assets		
Unrestricted	697,186	506,418
Temporarily restricted	62,072	57,878
Total net assets	759,258	564,296
Total liabilities and net assets	$ 1,591,000	$ 1,526,655

See notes to financial statements

Adoptions Together, Inc.

STATEMENTS OF ACTIVITIES

Year ended December 31, 2011
with comparative totals for the year ended December 31, 2010

	Unrestricted	Temporarily restricted	2011 total	2010 total
Revenue and support				
Domestic adoptions	$ 1,134,144	$ -	$ 1,134,144	$ 915,030
International adoptions	34,768	-	34,768	61,712
Ancillary Permanency Services	1,819,208	-	1,819,208	1,503,445
Assessment services	1,107,594	-	1,107,594	989,160
Contributions	259,362	6,194	265,556	776,806
Investment and other	1,146	-	1,146	(68)
International Orphanage Relief	2,000	(2,000)	-	-
Total revenue and support	4,358,222	4,194	4,362,416	4,246,085
Expenses				
Programs				
Domestic adoptions	846,613	-	846,613	737,472
International adoptions	126,598	-	126,598	207,465
Ancillary Permanency Services	1,507,841	-	1,507,841	1,524,339
Assessment services	881,498	-	881,498	777,934
International Orphanage Relief	2,000	-	2,000	5,667
Total programs	3,364,550	-	3,364,550	3,252,877
Support services				
Management and general	595,985	-	595,985	594,695
Fundraising	206,919	-	206,919	155,689
Total expenses	4,167,454	-	4,167,454	4,003,261
Change in net assets	190,768	4,194	194,962	242,824
Net assets, beginning of year	506,418	57,878	564,296	321,472
Net assets, end of year	$ 697,186	$ 62,072	$ 759,258	$ 564,296

See notes to financial statements

Adoptions Together, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 194,962	$ 242,824
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	36,695	32,651
Unrealized (gain) loss on investments	-	68
Deferred rent	(6,032)	(838)
Donated software included in fixed assets	-	(21,678)
Loss on disposition of assets	-	14,150
Gain on sale of investments	(1,146)	-
(Increase) decrease in assets		
Accounts and grants receivable	266,681	193,890
Prepaids and other	19,734	(1,826)
Deposits	(23,355)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(653)	(58,313)
Accrued salaries and related expenses	31,187	(13,301)
Deferred revenue	(139,081)	(12,862)
Net cash provided by operating activities	378,992	374,765
Cash flows from investing activities		
Proceeds from sale of investments	6,528	-
Net cash provided by investing activities	6,528	-
Cash flows from financing activities		
Payments of capital lease obligations	(25,151)	(31,918)
Net cash used in financing activities	(25,151)	(31,918)
NET INCREASE IN CASH AND CASH EQUIVALENTS	360,369	342,847
Cash and cash equivalents, beginning of year	760,754	417,907
Cash and cash equivalents, end of year	$ 1,121,123	$ 760,754
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 8,014	$ 9,700
Supplemental disclosures of noncash investing and financing activities		
Purchase of equipment under capital lease obligations	$ 9,114	$ 11,328

See notes to financial statements

NOTE 1 - ORGANIZATION

Adoptions Together, Inc. (the Organization) was founded in 1990 as a nonprofit organization to provide adoption and related services. The Organization is licensed as a child placement agency in the State of Maryland, Commonwealth of Virginia and the District of Columbia. The Organization is committed to building healthy permanent families by providing the highest quality child placement services, lifelong support to children and their families and advocacy for continuous improvement of child welfare systems. The Organization receives its revenue and support from program fees and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States. This requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of $2,500. Property and equipment are stated at cost for purchased assets and at estimated fair value on the contribution date for contributed assets. Property and equipment are being depreciated using the straight-line method over the estimated useful lives of the assets (five to ten years). Leasehold improvements are amortized over the period of the lease or useful life of the improvements, whichever is shorter. Costs of repairs and maintenance of the property and equipment are expensed as incurred.

Contributions

Contributions received, including unconditional pledges or "promises-to-give" received from donors, are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose 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. However, when time or use restrictions are fully met in the same fiscal year in which the contribution is received, the contribution is reported as unrestricted. Pledges due beyond one year from the fiscal year-end are discounted to their estimated present value of expected future cash flow.

Donated Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. During the years ended December 31, 2011 and 2010, the Organization recognized $-0- and $45,000, respectively, in donated services as contributions.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Receivables include an allowance for uncollectible accounts, which was determined based on a review of outstanding balances and the likelihood of collection. Delinquency of receivables is determined based on contractual terms and management's review of aged balances. Based on management's assessment of the credit history with customers having outstanding balances, it has concluded that $81,704 and $83,180 as allowance for uncollectible accounts is adequate at December 31, 2011 and 2010, respectively.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized holding gains and losses are included with investment income in the statement of activities. Investment income is reported as an increase in unrestricted net assets unless restricted by donor or law.

Revenue

Revenue is recognized when services are rendered and the Organization has a contractual right to payment. With respect to adoption related services such as home studies and post placement services, the Organization treats payments received as deferred revenue until the services have been rendered. For traditional adoption placements, payments received and billings made are also treated as deferred revenue until the adoption occurs or legal risk has expired. Nonrefundable fees are recognized as income at the time of receipt. Accounts receivable consist of amounts due to the Organization for arranging domestic and international adoptions and adoption-related services.

The Organization collects and records as revenue only the portion of foreign source fees that are payable to it, as adoptive parents are directly responsible for the fees that are payable to the Foreign Service coordinator.

Revenue from cost-reimbursable grants is recognized to the extent of the Organization's corresponding expenditures on the basis of allowable direct and indirect costs. Grants receivable consist of expenditures in excess of cash received for funded grants.

Functional Allocation of Expenses

The costs of providing program and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain overhead costs have been allocated based upon the functions they directly benefit or upon management's estimate of the proportion of these costs applicable to each function.

Income Taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2011. Due to its tax exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure.

Open tax years subject to IRS review for the Organization are 2009, 2010 and 2011.

Comparative Information

The statement of activities includes 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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

NOTE 3 - DESCRIPTION OF PROGRAM SERVICES

The Domestic Adoption program provides support and preparation services to prospective adoptive and birth parents residing primarily in Maryland, Virginia, and the Washington metropolitan area. The Adoption Works program, included with Domestic Adoption program costs, provides adoption services for children who are growing up in public foster care.

The International Adoption program arranges for families living in the United States to adopt children from orphanages in Eastern Europe, Latin America and Asia. The International Orphanage Relief program supports children in foreign orphanages, primarily Eastern Europe and Asia.

Ancillary Permanency Services includes supportive programs related to helping children achieve and maintain permanency with healthy families. Offerings include:

- Counseling,
- Training for parents, child welfare and mental health professional and the community-at-large,
- Identification of permanency resources for older youth in foster care,
- Respite services for foster families, and
- Reunification services for parents who have been separated because of abuse or neglect.

In addition, a free-standing center in the District of Columbia, known as the Post Permanency Family Center, offers comprehensive services and activities to support families and children brought together through adoption, guardianship and kinship care.

The Assessment Services program provides home studies and post-placement supervision for foster parents, pre-adoptive parents and families who have received placement of a child and are awaiting completion of the adoption. These services are available to families residing in Maryland, Virginia, and the District of Columbia.

NOTE 4 - FAIR VALUE

The Organization establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following table presents the Organization's assets and liabilities that are measured and recognized at fair value on a nonrecurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2011 and 2010:

Fair Value Measurements at December 31, 2011 Using:			
	Level 1	Level 2	Level 3
Common stock:			
Financial	$ 338	$ -	$ -
Energy	-	-	-
Telecommunications	-	-	-
Other	1,038	-	-
Total	$ 1,376	$ -	$ -

Fair Value Measurements at December 31, 2010 Using:			
	Level 1	Level 2	Level 3
Common stock:			
Financial	$ 1,008	$ -	$ -
Energy	2,266	-	-
Telecommunications	190	-	-
Other	3,294	-	-
Total	$ 6,758	$ -	$ -

NOTE 5 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Program restricted		
International Orphanage Relief Program	$ 62,072	$ 57,878

Net assets were released from restrictions during the years ended December 31, 2011 and 2010, by incurring expenses satisfying the restrictions or by the occurrence of other events.

NOTE 6 - LEASE AGREEMENTS

Operating Leases

The Organization leases office space in Silver Spring, Maryland and Baltimore, Maryland under two agreements, which expire in February 2013. Both leases include provisions for annual adjustments of 3% over the lease terms. Total rent payments are recognized as expenses on a straight-line basis resulting in a deferred rent liability. Rent expense for the years ended December 31, 2011 and 2010 was $186,443 and $178,531, respectively.

The Organization has an office lease for space in Herndon, Virginia which expires in April, 2013. Rent expense for the years ended December 31, 2011 and 2010 was $21,424 and $15,525, respectively.

The Organization entered into a three-year lease beginning April 2007 for office space located in Washington, D.C. The lease is now on a month to month basis. Monthly rental expense is $3,818. Rent expense for the years ended December 31, 2011 and 2010 was $45,816 each year.

Minimum future rental payments under operating lease agreements as of December 31, 2011, for office and equipment leases are as follows:

Year ending December 31, 2012	$	200,368
2013		36,393
Total minimum future rental payments	$	236,761

Capital Leases

The Organization leases various office equipment under capital leases. The leases expire at various dates through February 2017. Capital leases are equipment acquisitions made under lease financing. Future minimum lease obligations under these capital leases as of December 31, 2011, are as follows:

Year ending December 31, 2012	$	34,526
2013		28,409
2014		9,241
2015		2,488
2016		1,944
2017		335
Total minimum future rental payments		76,943
Less: Amount representing interest		(11,152)
Present value of capital lease obligation		65,791
Less: Current portion		(28,628)
Long-term portion	$	37,163

As of December 31, 2011 and 2010, capitalized leased equipment of $152,746 and $143,633, respectively, net of accumulated amortization of $103,616 and $78,311, respectively, is included with furniture and equipment.

NOTE 7 - RETIREMENT PLAN

During 2001, the Organization established a 401(k) plan for all employees who have completed one year of service. The plan provides for employee contributions and an employer matching contribution up to 6% of salary, plus an annually determined discretionary contribution to eligible employees. Vesting in the benefits provided through employer contributions to the plan is based on years of service with full vesting after six years. Employer contributions to this plan during the years ended December 31, 2011 and 2010 were $30,000 and $20,000, respectively.

NOTE 8 - LINE OF CREDIT

The Organization has a $100,000 unsecured line of credit agreement with a bank. There was no outstanding balance on the line of credit at December 31, 2011 and 2010.

NOTE 9 - CONCENTRATIONS

Approximately 31% or $1,363,764 of revenue in 2011 was generated from services performed for state and local government agencies. Receivables at December 31, 2011 from state and local government agencies accounted for approximately 98% or $390,971 of receivables.

Approximately 31% or $1,315,397 of revenue in 2010 was generated from services performed for state and local government agencies. Receivables at December 31, 2011 from state and local government agencies accounted for approximately 96% or $564,541 of receivables.

The Organization maintains its cash and cash equivalents in multiple banks. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2011.

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through July 30, 2012 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.