

Application for Change in Accounting Method

Department of the Treasury
Internal Revenue Service

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions) 43-1672909	
CHILDREN'S HOPE INTERNATIONAL		Principal business activity code number (see instructions) EXEMPT ORGANIZATION	
Number, street, and room or suite no. If a P.O. box, see the instructions 9229 LACKLAND ROAD		Tax year of change begins (MM/DD/YYYY) 01/01/2003	
City or town, state, and ZIP code ST. LOUIS, MO 63114		Tax year of change ends (MM/DD/YYYY) 12/31/2003	
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions) MELODY ZHANG	
		Contact person's telephone number 314-890-0086	

If the applicant is a member of a consolidated group, check this box
 If Form 2848, Power of Attorney and Declaration of Representative, is attached, check this box

Check the box to indicate the applicant. <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input checked="" type="checkbox"/> Exempt organization. Enter Code section 501(c)3		<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S Corporation <input type="checkbox"/> Insurance Co. (Sec. 816(a)) <input type="checkbox"/> Insurance Co. (Sec. 831) <input type="checkbox"/> Other (specify) _____		Check the appropriate box to indicate the type of accounting method change being requested. (see instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) _____ METHOD OF ACCOUNTING _____	
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Caution: The applicant must provide the requested information to be eligible for approval of the requested accounting method change. The applicant may be required to provide information specific to the accounting method change such as an attached statement. The applicant must provide all information relevant to the requested accounting method change even if not specifically requested by the Form 3115.

Part I Information For Automatic Change Request	Yes	No
1 Enter the requested designated accounting method change number from the List of Automatic Accounting Method Changes (see instructions). Enter only one method change number, except as provided for in the instructions. If the requested change is not included in that list, check "Other," and provide a description. ▶ (a) Change No. <u>30</u> (b) Other <input type="checkbox"/> Description ▶ _____		
2 Is the accounting method change being requested one for which the scope limitations of section 4.02 of Rev. Proc. 2002-9 (or its successor) do not apply? If "Yes," go to Part II.	X	
3 Is the tax year of change the final tax year of a trade or business for which the taxpayer would be required to take the entire amount of the section 481(a) adjustment into account in computing taxable income? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		

Part II Information For All Requests	Yes	No
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If you answered "No," go to line 5.		X
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		X

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer <i>Dianna L. Briner</i> 6-25-04 _____ Signature and date	Preparer (other than filer/applicant) <i>Rubin Brown Gornstein & Co LLP</i> _____ Signature of individual preparing the application and date 6-21-04
_____ Name and title (print or type) Dianna L. Briner, Finance Manager	_____ Name of individual preparing the application (print or type) RUBIN, BROWN, GORNSTEIN & CO LLP

Part II Information For All Requests (continued)

Table with 2 columns: Yes, No. Contains 'X' marks in various cells corresponding to the questions.

4 c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?

d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.

e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). [] 90 day [] 120 day

f If you answered "Yes," to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name Telephone number Tax year(s)

g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?

5 a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) [] Appeals officer and/or [] counsel for the government, and the tax year(s) before Appeals and/or a Federal court. Name Telephone number Tax year(s)

b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?

c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member)? If "Yes," attach an explanation.

6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, provide each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.

7 If the applicant is an entity (including a limited liability company) treated as a partnership or S corporation for Federal income tax purposes, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.

8 Is the applicant making a change to which audit protection does not apply (see instructions)?

9 a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in accounting method within the past 5 years (including the year of the requested change)?

b If "Yes," attach a description of each change and the year of change for each separate trade or business and whether consent was obtained.

c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement was sent to the taxpayer but was not signed and returned to the IRS, or if the change was not made or not made in the requested year of change, include an explanation.

10 a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in accounting method, or technical advice?

b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in accounting method, or technical advice), and the specific issue(s) in the request(s).

11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of the form.

Present method: [X] Cash [] Accrual [] Hybrid (attach description) Proposed method: [] Cash [X] Accrual [] Hybrid (attach description)

12 If the applicant is not changing its overall method of accounting, attach a detailed and complete description for each of the following:

- a The item(s) being changed. b The applicant's present method for the item(s) being changed. c The applicant's proposed method for the item(s) being changed. d The applicant's present overall method of accounting (cash, accrual, or hybrid).

Part II Information For All Requests (continued)	Yes	No																								
13 Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application.																										
14 Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation.	X																									
15 a Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		X																								
b If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.																										
16 Does the applicant request a conference of right with the IRS National Office if the IRS proposes an adverse response?	X																									
17 If the applicant is changing to or from the cash method or changing its method of accounting under sections 263A, 448, 460, or 471, enter the gross receipts of the 3 tax years preceding the year of change.																										
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">1st preceding year ended mo</th> <th style="width: 15%;">DEC</th> <th style="width: 15%;">yr</th> <th style="width: 15%;">2002</th> <th style="width: 15%;">2nd preceding year ended mo</th> <th style="width: 15%;">DEC</th> <th style="width: 15%;">yr</th> <th style="width: 15%;">2001</th> <th style="width: 15%;">3rd preceding year ended mo</th> <th style="width: 15%;">DEC</th> <th style="width: 15%;">yr</th> <th style="width: 15%;">2000</th> </tr> </thead> <tbody> <tr> <td>\$</td> <td></td> <td></td> <td style="text-align: right;">7,997,654</td> <td>\$</td> <td></td> <td></td> <td style="text-align: right;">6,687,445</td> <td>\$</td> <td></td> <td></td> <td style="text-align: right;">4,412,222</td> </tr> </tbody> </table>	1st preceding year ended mo	DEC	yr	2002	2nd preceding year ended mo	DEC	yr	2001	3rd preceding year ended mo	DEC	yr	2000	\$			7,997,654	\$			6,687,445	\$			4,412,222		
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Part III Information For Advance Consent Request	Yes	No
18 Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.		
19 Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. The applicant should include a discussion of any authorities that may be contrary to its use of the proposed method.		
20 Attach a copy of all documents related to the proposed change (see instructions).		
21 Attach a statement of the applicant's reasons for the proposed change. GENERALLY ACCEPTED ACCOUNTING		
22 If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.		
23 a Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____		
b If the applicant qualifies for a reduced user fee, attach the necessary information or certification required by Rev. Proc. 2003-1 (or its successor) (see instructions).		

Part IV Section 481(a) Adjustment	Yes	No
24 Do the procedures for the accounting method change being requested require the use of the cut-off method? If "Yes," do not complete lines 25, 26, and 27 below.		X
25 Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>-153,324</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant.		
26 If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?		
27 Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		X

Schedule A - Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions)

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received	NONE
b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method	NONE
c Expenses accrued but not paid	-178082
d Prepaid expenses previously deducted	24,758
e Supplies on hand previously deducted and/or not previously reported	NONE
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	NONE
g Other amounts (specify) ▶ _____	
h Net section 481(a) adjustment (Combine lines 1a-1g.)	-153,324

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

Part II Change to the Cash Method For Advance Consent Request (see instructions)

Applicants requesting a change to the cash method must attach the following information:

- 1 A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- 2 An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B - Change in Reporting Advance Payments (see instructions)

- 1 If the applicant is requesting to defer advance payment for services under Rev. Proc. 71-21, 1971-2 C.B. 549, attach the following information:
 - a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services.
 - b If any parts or materials are provided, explain whether the obligation to provide parts or materials is incidental (of minor or secondary importance) to an agreement providing for the performance of personal services.
 - c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement.
 - d A description of the method the applicant will use to determine the amount of income earned each year on service contracts and why that method clearly reflects income earned and related expenses in each year.
 - e An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See section 3.11 of Rev. Proc. 71-21.
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information:
 - a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items.
 - b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities).
 - c An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See Regulations section 1.451-5(b)(1).

Schedule C - Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current year cost of goods in the ending inventory (e.g., most recent purchases, earliest acquisitions during the year, average cost of purchases during the year, etc.).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation
- 3 If the proposed change is not requested for all the LIFO inventory, specify the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, specify the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, the applicant should identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970 and a statement indicating the indexes, tables, and categories the applicant proposes to use.

Part II Change in Pooling Inventories

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, the applicant should explain the reasons for the separate facilities, indicate the location of each facility, and provide a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D - Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions) N/A

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
2b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
2c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
2d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
3b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
3c Describe the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
4a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
4b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on page 7 and 8.)

- 1 Attach a description of the inventory goods being changed. N/A
2 Attach a description of the inventory goods (if any) NOT being changed.
3 If the applicant is subject to section 263A, is its present inventory valuation method in compliance with section 263A (see instructions)?

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation).

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Being Changed (Present Method, Proposed Method) and Inventory Not Being Changed (Present Method). Rows correspond to identification and valuation methods.

- b Enter the value at the end of the tax year preceding the year of change.
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. Attach the statement required by section 10.01(4) of the Appendix of Rev. Proc. 2002-9 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions).) *N/A*

Section A - Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B - Direct and Indirect Costs Required To Be Allocated (Check the appropriate boxes in Section B showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.)

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

Schedule C - Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included on line 26 above		
3 Bidding expenses not included on line 22 above		
4 General and administrative costs not included in Section B above		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included on line 11 above		
11 Other costs (Attach a list of these costs.)		

Schedule E - Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note: See the *List of Automatic Accounting Method Changes* in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? Yes No
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? Yes No
If "Yes," enter the applicable section ►
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))? Yes No
If "Yes," state the election made ►
- 4 a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
 b If the property is residential rental property, did the applicant live in the property before renting it? Yes No
 c Is the property public utility property? Yes No
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods:
 - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c The facts to support the asset class for the proposed method.
 - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e The useful life, recovery period, or amortization period of the property.
 - f The applicable convention of the property.

MODIFIED CASH BASIS

Form **990**

Return of Organization Exempt from Income Tax

OMB No 1545-0047

2002

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)

Open to Public
Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the **2002** calendar year, or tax year beginning **2002**, and ending

- B** Check if applicable:
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

Please use
IRS label
or print
or type.
See
specific
instruc-
tions.

Childrens Hope International
9229 Lackland Road
St. Louis, MO 63114-5412

D Employer Identification Number
43-1672909

E Telephone number

F Accounting method: Cash Accrual
 Other (specify) ▶ **Mod Cash**

G Web site: ▶ **ChildrensHopeInt.org**

J Organization type (check only one): 501(c) 3 (insert no.) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

H and I are not applicable to section 527 organizations

- H (a)** Is this a group return for affiliates? Yes No
- H (b)** If 'Yes,' enter number of affiliates ▶
- H (c)** Are all affiliates included? Yes No
(If 'No,' attach a list. See instructions.)
- H (d)** Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit GEN.

M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12. ▶ **8,168,913.**

Part III Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

	<p>1 Contributions, gifts, grants, and similar amounts received:</p> <p>a Direct public support 1a</p> <p>b Indirect public support 1b 68,535.</p> <p>c Government contributions (grants) 1c</p> <p>d Total (add lines 1a through 1c) (cash \$ 68,535. noncash \$) 1d 68,535.</p>																						
	<p>2 Program service revenue including government fees and contracts (from Part VII, line 93) 2 7,876,632.</p>																						
	3 Membership dues and assessments 3																						
	4 Interest on savings and temporary cash investments 4 35,051.																						
	5 Dividends and interest from securities 5 61,725.																						
	<p>6a Gross rents 6a</p> <p>b Less: rental expenses 6b</p> <p>c Net rental income or (loss) (subtract line 6b from line 6a) 6c</p>																						
	7 Other investment income (describe) 7																						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;"></td> <td style="width: 15%; text-align: center;">(A) Securities</td> <td style="width: 15%;"></td> <td style="width: 35%; text-align: center;">(B) Other</td> </tr> <tr> <td>8a Gross amount from sales of assets other than inventory</td> <td style="text-align: right;">126,970.</td> <td style="width: 15%;"></td> <td style="float: right;">8a</td> </tr> <tr> <td>b Less: cost or other basis and sales expenses</td> <td style="text-align: right;">171,259.</td> <td></td> <td style="float: right;">8b</td> </tr> <tr> <td>c Gain or (loss) (attach schedule) Statement 1</td> <td style="text-align: right;">-44,289.</td> <td></td> <td style="float: right;">8c</td> </tr> <tr> <td>d Net gain or (loss) (combine line 8c, columns (A) and (B)).</td> <td></td> <td></td> <td style="float: right;">8d</td> </tr> </table>		(A) Securities		(B) Other	8a Gross amount from sales of assets other than inventory	126,970.		8a	b Less: cost or other basis and sales expenses	171,259.		8b	c Gain or (loss) (attach schedule) Statement 1	-44,289.		8c	d Net gain or (loss) (combine line 8c, columns (A) and (B)).			8d		-44,289.
	(A) Securities		(B) Other																				
8a Gross amount from sales of assets other than inventory	126,970.		8a																				
b Less: cost or other basis and sales expenses	171,259.		8b																				
c Gain or (loss) (attach schedule) Statement 1	-44,289.		8c																				
d Net gain or (loss) (combine line 8c, columns (A) and (B)).			8d																				
	<p>9 Special events and activities (attach schedule)</p> <p>a Gross revenue (not including \$ of contributions reported on line 1a) 9a</p> <p>b Less: direct expenses other than fundraising expenses 9b</p> <p>c Net income or (loss) from special events (subtract line 9b from line 9a) 9c</p>																						
	<p>10a Gross sales of inventory, less returns and allowances 10a</p> <p>b Less: cost of goods sold 10b</p> <p>c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) 10c</p>																						
	11 Other revenue (from Part VII, line 103) 11																						
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) 12 7,997,654.																						
EXPENSES	13 Program services (from line 44, column (B)) 13 6,665,980.																						
	14 Management and general (from line 44, column (C)) 14 298,333.																						
	15 Fundraising (from line 44, column (D)) 15 234,128.																						
	16 Payments to affiliates (attach schedule) 16																						
	17 Total expenses (add lines 16 and 44, column (A)) 17 7,198,441.																						
NET ASSETS OR FUND BALANCES	18 Excess or (deficit) for the year (subtract line 17 from line 12) 18 799,213.																						
	19 Net assets or fund balances at beginning of year (from line 73, column (A)) 19 4,312,757.																						
	20 Other changes in net assets or fund balances (attach explanation) See Statement 2 20 -388,142.																						
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20) 21 4,723,828.																						

Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) See Stmt 3 (cash \$ 619,551. non-cash \$ _____)	22 619,551.	619,551.		
23 Specific assistance to individuals (att sch)	23			
24 Benefits paid to or for members (att sch)	24			
25 Compensation of officers, directors, etc	25 149,932.	134,939.	14,993.	
26 Other salaries and wages	26 1,648,154.	1,483,339.	164,815.	
27 Pension plan contributions	27 10,990. ✓	9,891.	1,099.	
28 Other employee benefits	28 77,857. ✓	70,071.	7,786.	
29 Payroll taxes	29 150,595.	135,536.	15,059.	
30 Professional fundraising fees	30			
31 Accounting fees	31 6,082.	5,474.	608.	
32 Legal fees	32			
33 Supplies	33 50,964.	45,868.	5,096.	
34 Telephone	34 68,178.	61,360.	6,818.	
35 Postage and shipping	35 140,959.	126,863.	14,096.	
36 Occupancy	36 109,635.	98,672.	10,963.	
37 Equipment rental and maintenance	37 44,179.	39,761.	4,418.	
38 Printing and publications	38 33,949.	30,554.	3,395.	
39 Travel	39 28,058.	25,252.	2,806.	
40 Conferences, conventions, and meetings	40 120,352.	108,317.	12,035.	
41 Interest	41 907.	816.	91.	
42 Depreciation, depletion, etc (attach schedule)	42 76,168.	68,551.	7,617.	
43 Other expenses not covered above (itemize).				
a See Statement 4	43a 3,861,931.	3,601,165.	26,638.	234,128.
b	43b			
c	43c			
d	43d			
e	43e			
44 Total functional expenses (add lines 22 - 43). Organizations completing columns (B) - (D), carry these totals to lines 13 - 15	44 7,198,441.	6,665,980.	298,333.	234,128.

Joint Costs. Check if you are following SOP 98-2.
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to program services \$ _____; (iii) the amount allocated to management and general \$ _____; and (iv) the amount allocated to fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? <input type="checkbox"/> See Statement 5 All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) & (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants & allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; but optional for others)
a Provides adoption services for children in China, Vietnam Columbia Guatemala, India and Russia, Approximately 600 adoptions in 2002 (Grants and allocations \$ 639,551.)	6,665,980.
b (Grants and allocations \$ _____)	
c (Grants and allocations \$ _____)	
d Form 3115 - Sect A - Part I # 3 (Grants and allocations \$ _____)	
e Other program services (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), program services)	6,665,980.

Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
ASSETS	45 Cash – non-interest-bearing		45	
	46 Savings and temporary cash investments	1,216,784.	46	1,109,991.
	47a Accounts receivable		47a	
	b Less: allowance for doubtful accounts		47b	47c
	48a Pledges receivable		48a	
	b Less: allowance for doubtful accounts		48b	48c
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule) See Stm 6.		50	17,043.
	51a Other notes & loans receivable (attach sch)		51a	
	b Less: allowance for doubtful accounts		51b	51c
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	
	54 Investments – securities (attach schedule).. See St. 7. <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	2,634,832.	54	3,161,771.
	55a Investments – land, buildings, & equipment: basis		55a	
b Less: accumulated depreciation (attach schedule)		55b	55c	
56 Investments – other (attach schedule)		56		
57a Land, buildings, and equipment: basis	773,144.			
b Less: accumulated depreciation (attach schedule).. Statement 8	354,394.	378,112.	57c	418,750.
58 Other assets (describe <input type="checkbox"/> See Statement 9)		96,462.	58	72,613.
59 Total assets (add lines 45 through 58) (must equal line 74)	4,326,190.	59		4,780,168.
LIABILITIES	60 Accounts payable and accrued expenses		60	
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule) See Statement 10		64b	56,340.
	65 Other liabilities (describe <input type="checkbox"/>)	13,433.	65	
66 Total liabilities (add lines 60 through 65)	13,433.	66		56,340.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	4,312,757.	67	4,723,828.
	68 Temporarily restricted		68	
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	4,312,757.	73		4,723,828.
74 Total liabilities and net assets/fund balances (add lines 66 and 73)	4,326,190.	74		4,780,168.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments

BAA Form 3115 Sch A Part 1 #3