

Return of Organization Exempt From Income Tax

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

2006

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

Header section A-M containing organization details: The Family Network, Inc., 820 Bay Avenue #206, Capitola, CA 95010. Includes fields for EIN (43-1185310), telephone (831-462-8954), and accounting method (Accrual).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

Main table with 21 rows and 3 columns. Rows include: 1 Contributions, 2 Program service revenue (476,812), 3 Membership dues, 4 Interest on savings (336), 6a Gross rents, 7 Other investment income, 8a Gross amount from sales of assets, 9 Special events and activities, 10a Gross sales of inventory, 11 Other revenue, 12 Total revenue (498,539), 13-17 Expenses (Total 507,340), 18 Excess or deficit (-8,801), 19-21 Net assets or fund balances (ending at -123,435).

SCANNED JAN 20 2008

EXEMPT FROM PAYMENTS

RECEIVED JAN 15 2008

See Statement 1

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
22a Grants paid from donor advised funds (attach sch) (cash \$ _____) non-cash \$ _____ If this amount includes foreign grants, check here <input type="checkbox"/>	22a			
22b Other grants and allocations (att sch) (cash \$ _____) non-cash \$ _____ If this amount includes foreign grants, check here <input type="checkbox"/>	22b			
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25a Compensation of current officers, directors, key employees, etc listed in Part V-A (attach sch) See Stmt 2	25a	136,734.	123,061.	13,673.
b Compensation of former officers, directors, key employees, etc listed in Part V-B (attach sch)	25b	0.	0.	0.
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)	25c	0.	0.	0.
26 Salaries and wages of employees not included on lines 25a, b, and c	26	100,029.	90,026.	10,003.
27 Pension plan contributions not included on lines 25a, b, and c	27			
28 Employee benefits not included on lines 25a - 27	28	5,737.	5,163.	574.
29 Payroll taxes	29	11,859.	10,673.	1,186.
30 Professional fundraising fees	30			
31 Accounting fees	31	15,469.		15,469.
32 Legal fees	32	5,144.		5,144.
33 Supplies	33	8,511.	7,660.	851.
34 Telephone	34	15,501.	13,951.	1,550.
35 Postage and shipping	35	6,020.	6,020.	
36 Occupancy	36	24,696.	22,226.	2,470.
37 Equipment rental and maintenance	37	3,919.	3,527.	392.
38 Printing and publications	38	1,375.	1,375.	
39 Travel	39	15,606.	15,606.	
40 Conferences, conventions, and meetings	40	3,787.	3,787.	
41 Interest	41	12,503.		12,503.
42 Depreciation, depletion, etc (attach schedule)	42	9,010.	8,109.	901.
43 Other expenses not covered above (itemize)				
a See Statement 3	43a	131,440.	99,781.	31,659.
b -----	43b			
c -----	43c			
d -----	43d			
e -----	43e			
f -----	43f			
g -----	43g			
44 Total functional expenses. Add lines 22a through 43g (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	44	507,340.	410,965.	96,375.

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

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.

What is the organization's primary exempt purpose? ▶ See Statement 4 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) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others.)
a See Statement 5 ----- ----- ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	410,965.
b ----- ----- ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
c ----- ----- ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
d ----- ----- ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
e Other program services (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	410,965.

Part IV Balance Sheets (See the 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	60,957.	45	43,324.
	46 Savings and temporary cash investments		46	
	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	
	50a Receivables from current and former officers, directors, trustees, and key employees (attach schedule) See Stmt 6		50a	2,978.
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)		50b	
	51a Other notes and loans receivable (attach schedule)	51a		
	b Less allowance for doubtful accounts	51b	51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	9,870.
	54a Investments – publicly-traded securities	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54a
	b Investments – other securities (attach sch)	▶ <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54b
	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	57a 60,300.		
	b Less accumulated depreciation (attach schedule) Statement 7	57b 33,184.	24,481.	57c 27,116.
58 Other assets, including program-related investments (describe ▶ See Statement 8)		3,128.	58 2,819.	
59 Total assets (must equal line 74) Add lines 45 through 58		88,566.	59 86,107.	
LIABILITIES	60 Accounts payable and accrued expenses		60 11,045.	
	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)		64b 18,509.	
	65 Other liabilities (describe ▶ See Statement 9)		65 179,988.	
	66 Total liabilities. Add lines 60 through 65		132,356.	66 209,542.
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	-96,579.	67 -160,973.	
	68 Temporarily restricted	52,789.	68 37,538.	
	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 and column (B) must equal line 21)	-43,790.	73 -123,435.	
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	88,566.	74 86,107.	

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See the instructions.)

a	Total revenue, gains, and other support per audited financial statements		a	498,539.
b	Amounts included on line a but not on Part I, line 12:			
	1 Net unrealized gains on investments	b1		
	2 Donated services and use of facilities	b2		
	3 Recoveries of prior year grants	b3		
	4 Other (specify) _____	b4		
	Add lines b1 through b4		b	
c	Subtract line b from line a		c	498,539.
d	Amounts included on Part I, line 12, but not on line a :			
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) _____	d2		
	Add lines d1 and d2		d	
e	Total revenue (Part I, line 12) Add lines c and d		e	498,539.

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements		a	507,340.
b	Amounts included on line a but not on Part I, line 17:			
	1 Donated services and use of facilities	b1		
	2 Prior year adjustments reported on Part I, line 20	b2		
	3 Losses reported on Part I, line 20	b3		
	4 Other (specify) _____	b4		
	Add lines b1 through b4		b	
c	Subtract line b from line a		c	507,340.
d	Amounts included on Part I, line 17, but not on line a :			
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) _____	d2		
	Add lines d1 and d2		d	
e	Total expenses (Part I, line 17) Add lines c and d		e	507,340.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated) (See the instructions)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
See Statement 10		116,456.	20,278.	0.

Part VI Other Information (continued)	Yes	No
82 a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III)	82 b	N/A
83 a Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	X	
84 a Did the organization solicit any contributions or gifts that were not tax deductible?		X
b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84 b	N/A
85 501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85 a	N/A
b Did the organization make only in-house lobbying expenditures of \$2,000 or less?	85 b	N/A
If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
c Dues, assessments, and similar amounts from members	85 c	N/A
d Section 162(e) lobbying and political expenditures	85 d	N/A
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85 e	N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85 f	N/A
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85 g	N/A
h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85 h	N/A
86 501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12	86 a	N/A
b Gross receipts, included on line 12, for public use of club facilities	86 b	N/A
87 501(c)(12) organizations Enter a Gross income from members or shareholders	87 a	N/A
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	87 b	N/A
88 a At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX	88 a	X
b At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' complete Part XI	88 b	X
89 a 501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <u>0.</u> , section 4912 <u>0.</u> , section 4955 <u>0.</u>		
b 501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction	89 b	X
c Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <u>0.</u>		
d Enter Amount of tax on line 89c, above, reimbursed by the organization <u>0.</u>		
e All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?	89 e	X
f All organizations Did the organization acquire a direct or indirect interest in any applicable insurance contract?	89 f	X
g For supporting organizations and sponsoring organizations maintaining donor advised funds Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	89 g	X
90 a List the states with which a copy of this return is filed <u>CA</u>		
b Number of employees employed in the pay period that includes March 12, 2006 (See instructions)	90 b	9
91 a The books are in care of <u>Pam Bayer</u> Telephone number <u>925-356-5645</u> Located at <u>1070 Concord Avenue, Suite 230, Concord CA</u> ZIP + 4 <u>94520</u>		
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If 'Yes,' enter the name of the foreign country	91 b	X
See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts		

Part VI Other Information (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States?

	Yes	No
91 c		X

If 'Yes,' enter the name of the foreign country

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here

N/A

and enter the amount of tax-exempt interest received or accrued during the tax year

92 N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a Adoption Services					476,812.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	336.	
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				336.	476,812.
105 Total (add line 104, columns (B), (D), and (E))					477,148.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No. Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)

93A	Funds obtained from the placing of children in adoptive homes and providing counseling services.
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Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

Yes No

b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

Yes No

Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
Totals				

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Yes	No
	X

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

Please Sign Here

▶ Mary M. McLane Date 1/10/08
Signature of officer

▶ Mary M. McLane, Secretary
Type or print name and title

Paid Preparer's Use Only

Preparer's signature ▶ <u>Daniel A. Rich</u> <u>Daniel Rich</u>	Date <u>1/4/08</u>	Check if self-employed ▶ <input type="checkbox"/>	Preparer's SSN or PTIN (See General instruction W) <u>P00544169</u>
Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ <u>John, Rich & Company</u> <u>1916 E Front St</u> <u>Selma, CA 93662-3501</u>	EIN ▶ <u>26-0705217</u>	Phone no ▶ <u>(559) 896-9111</u>	

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

**Organization Exempt Under
Section 501(c)(3)**

**(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust**

Supplementary Information — (See separate instructions.)

▶ MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.

OMB No 1545-0047

2006

Name of the organization

The Family Network, Inc.

Employer identification number

43-1185310

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions. List each one. If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
See Statement 12		52,195.	5,947.	0.

Total number of other employees paid over \$50,000 ▶	0			

Part II – A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions. List each one (whether individuals or firms). If there are none, enter 'None.')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
None		

Total number of others receiving over \$50,000 for professional services ▶	0	

Part II – B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter 'None.' See instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
None		

Total number of other contractors receiving over \$50,000 for other services ▶	0	

Part III Statements About Activities (See instructions.)

1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities **▶ \$** N/A
(Must equal amounts on line 38, Part VI-A, or line i of Part VI-B)

	Yes	No
1		X

Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking 'Yes' must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities

2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions.)

See Statement 13

a Sale, exchange, or leasing of property?

2a		X
----	--	---

b Lending of money or other extension of credit?

2b	X	
----	---	--

c Furnishing of goods, services, or facilities?

See Form 990, Part V

2c		X
----	--	---

d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?

2d	X	
----	---	--

e Transfer of any part of its income or assets?

2e		X
----	--	---

3a Did the organization make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how the organization determines that recipients qualify to receive payments.) **Stmt 14**

3a	X	
----	---	--

b Did the organization have a section 403(b) annuity plan for its employees?

3b		X
----	--	---

c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If 'Yes,' attach a detailed statement

3c		X
----	--	---

d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?

3d		X
----	--	---

4a Did the organization maintain any donor advised funds? If 'Yes,' complete lines 4b through 4g. If 'No,' complete lines 4f and 4g

4a		X
----	--	---

b Did the organization make any taxable distributions under section 4966?

4b	N/A	
----	-----	--

c Did the organization make a distribution to a donor, donor advisor, or related person?

4c	N/A	
----	-----	--

d Enter the total number of donor advised funds owned at the end of the tax year **▶** N/A

e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year **▶** N/A

f Enter the total number of separate funds or accounts owned at the end of the tax year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts **▶** 0

g Enter the aggregate value of assets held in all funds or accounts included on line 4f at the end of the tax year **▶** 0.

Part IV Reason for Non-Private Foundation Status (See instructions.)

I certify that the organization is not a private foundation because it is (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) **Enter the hospital's name, city, and state** ▶ -----
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A.)
- 11 a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11 b A community trust Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: **(1) more than 33-1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions – subject to certain exceptions, and **(2) no more than 33-1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization ▶
 Type I Type II Type III-Functionally Integrated Type III-Other

Provide the following information about the supported organizations. (See instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total ▶					0.

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	20,443.	28,153.	28,439.	17,320.	94,355.
16 Membership fees received					0.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	494,003.	676,090.	767,802.	681,378.	2,619,273.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975			231.	175.	406.
19 Net income from unrelated business activities not included in line 18					0.
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0.
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					0.
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					0.
23 Total of lines 15 through 22	514,446.	704,243.	796,472.	698,873.	2,714,034.
24 Line 23 minus line 17	20,443.	28,153.	28,670.	17,495.	94,761.
25 Enter 1% of line 23	5,144.	7,042.	7,965.	6,989.	

26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24 N/A

b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts

c Total support for section 509(a)(1) test. Enter line 24, column (e)

d Add: Amounts from column (e) for lines **18** _____ **19** _____
22 _____ **26b** _____

e Public support (line 26c minus line 26d total)

f **Public support percentage (line 26e (numerator) divided by line 26c (denominator))**

26a	_____
26b	_____
26c	_____
26d	_____
26e	_____
26f	_____ %

27 Organizations described on line 12:

a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year

(2005) _____ 0. (2004) _____ 0. (2003) _____ 0. (2002) _____ 0.

b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year

(2005) _____ 0. (2004) _____ 0. (2003) _____ 0. (2002) _____ 0.

c Add: Amounts from column (e) for lines **15** _____ **16** _____
17 2,619,273. **20** _____ **21** _____

d Add: Line 27a total _____ 0. and line 27b total _____ 0.

e Public support (line 27c total minus line 27d total)

f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)

27c	2,713,628.
27d	0.
27e	2,713,628.
27f	2,714,034.
27g	99.99 %
27h	0.01 %

g **Public support percentage (line 27e (numerator) divided by line 27f (denominator))**

h **Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))**

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15

Part V. Private School Questionnaire (See instructions.)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe, if 'No,' please explain (If you need more space, attach a separate statement.) ----- ----- -----		
32 a	Does the organization maintain the following a Records indicating the racial composition of the student body, faculty, and administrative staff?		
32 b	b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
32 c	c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
32 d	d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered 'No' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----		
33 a	Does the organization discriminate by race in any way with respect to a Students' rights or privileges?		
33 b	b Admissions policies?		
33 c	c Employment of faculty or administrative staff?		
33 d	d Scholarships or other financial assistance?		
33 e	e Educational policies?		
33 f	f Use of facilities?		
33 g	g Athletic programs?		
33 h	h Other extracurricular activities? If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement) ----- ----- -----		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
34 b	Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If 'No,' attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group Check **b** if you checked 'a' and 'limited control' provisions apply.

Limits on Lobbying Expenditures

(The term 'expenditures' means amounts paid or incurred)

	(a) Affiliated group totals	(b) To be completed for all electing organizations
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount Enter the amount from the following table -		
If the amount on line 40 is -		
Not over \$500,000		
Over \$500,000 but not over \$1,000,000		
Over \$1,000,000 but not over \$1,500,000		
Over \$1,500,000 but not over \$17,000,000		
Over \$17,000,000		
The lobbying nontaxable amount is -		
20% of the amount on line 40		
\$100,000 plus 15% of the excess over \$500,000		
\$175,000 plus 10% of the excess over \$1,000,000	41	
\$225,000 plus 5% of the excess over \$1,500,000		
\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below
 See the instructions for lines 45 through 50)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots non-taxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

Yes	No	Amount

- a** Volunteers
- b** Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c** Media advertisements
- d** Mailings to members, legislators, or the public
- e** Publications, or published or broadcast statements.
- f** Grants to other organizations for lobbying purposes
- g** Direct contact with legislators, their staffs, government officials, or a legislative body
- h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i** Total lobbying expenditures (add lines c through h.)

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities

The Family Network, Inc.

43-1185310

Statement 1
Form 990, Part I, Line 20
Other Changes in Net Assets or Fund Balances

Net Section 481(a) adjustment - Cash to Accrual Acct Change	\$ -70,844.
Total	<u>\$ -70,844.</u>

Statement 2
Form 990, Part II, Line 25a
Compensation of Officers, Directors, Etc.

Compensation Received	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
Luke Leonard	57,653.	51,888.	5,765.	0.
Georgia Leonard	58,803.	52,923.	5,880.	0.
Faith Collins	0.	0.	0.	0.
Jean Dunn	0.	0.	0.	0.
Devon Gill	0.	0.	0.	0.
Mary McLane	0.	0.	0.	0.
Andrew Roth	0.	0.	0.	0.
Eugene Zanger	0.	0.	0.	0.
Total	\$ 116,456.\$	104,811.\$	11,645.\$	0.

Employee Benefit Plan Contribution	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
Luke Leonard	10,139.	9,125.	1,014.	0.
Georgia Leonard	10,139.	9,125.	1,014.	0.
Faith Collins	0.	0.	0.	0.
Jean Dunn	0.	0.	0.	0.
Devon Gill	0.	0.	0.	0.
Mary McLane	0.	0.	0.	0.
Andrew Roth	0.	0.	0.	0.
Eugene Zanger	0.	0.	0.	0.
Total	\$ 20,278.\$	18,250.\$	2,028.\$	0.

Expense Acct. & Other Allowances	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
Luke Leonard	0.	0.	0.	0.
Georgia Leonard	0.	0.	0.	0.
Faith Collins	0.	0.	0.	0.
Jean Dunn	0.	0.	0.	0.
Devon Gill	0.	0.	0.	0.
Mary McLane	0.	0.	0.	0.
Andrew Roth	0.	0.	0.	0.
Eugene Zanger	0.	0.	0.	0.
Total	\$ 0.\$	0.\$	0.\$	0.

The Family Network, Inc.

43-1185310

Statement 3
Form 990, Part II, Line 43
Other Expenses

	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
Adoption Costs	65,671.	65,671.		
Advertising	9,819.		9,819.	
Auto Expense	16,806.	15,125.	1,681.	
Bank Charges	952.		952.	
Consulting Fees	765.	765.		
Donations	6,863.	6,863.		
Dues & Subscriptions	767.		767.	
Insurance	18,352.		18,352.	
Licenses & Registration	9,013.	9,013.		
Miscellaneous	1,549.	1,549.		
On-Line Data Services	795.	795.		
Property Tax	88.		88.	
Total	\$ 131,440.	\$ 99,781.	\$ 31,659.	\$ 0.

Statement 4
Form 990, Part III
Organization's Primary Exempt Purpose

The Family Network, Inc., is dedicated to the charitable work of promoting the social welfare of indigent, orphaned and handicapped children by acting as a licensed child placement agency by seeking out foster or adoptive homes and by supervising the same; to make investigational reports and home studies; to obtain funds to assist worthy foreign and national orphanages and to assist worthy prospective adopting parties in defraying initial transportation and preliminary overseas adoption fees; to provide counseling to those who are emotionally distressed; and to cooperate with other child placement agencies in promoting the foregoing objectives.

Statement 5
Form 990, Part III, Line a
Statement of Program Service Accomplishments

Description	Grants and Allocations	Program Service Expenses
The Organization's primary exempt purpose was achieved by providing adoption and counseling services. The activities of the Organization during the year included: Number of Adoption Home Studies and Updates: 128 Number of Post-Placement Home Visits: 45 Number of Relinquishments: 9		410,965.
Includes Foreign Grants: No		
	<u>\$ 0.</u>	<u>\$ 410,965.</u>

The Family Network, Inc.

43-1185310

Statement 6
Form 990, Part IV, Line 50a
Receivables Due from Officers, Directors, Trustees, and Key Employees

<u>Receivables Reported Separately</u>		<u>Balance Due</u>
Borrower's Name:	Luke Leonard	
Borrower's Title:	Asst Exec Direc	
Purpose of Loan:	Clerical Error	
Original Amount:	\$ 2,978.	
Balance Due:		\$ 2,978.
Total Receivables Reported Separately		<u>\$ 2,978.</u>

Statement 7
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

<u>Category</u>	<u>Basis</u>	<u>Accum. Deprec.</u>	<u>Book Value</u>
Automobiles / Transportation Equipment	\$ 45,155.	\$ 26,820.	\$ 18,335.
Furniture and Fixtures	3,500.	3,500.	0.
Machinery and Equipment	3,450.	360.	3,090.
Miscellaneous	8,195.	2,504.	5,691.
Total	<u>\$ 60,300.</u>	<u>\$ 33,184.</u>	<u>\$ 27,116.</u>

Statement 8
Form 990, Part IV, Line 58
Other Assets

Deposits	\$ 2,819.
Total	<u>\$ 2,819.</u>

Statement 9
Form 990, Part IV, Line 65
Other Liabilities

Credit Cards Payable	\$ 83,207.
Payroll Liabilities	3,931.
Unearned Revenue	92,850.
Total	<u>\$ 179,988.</u>

The Family Network, Inc.

43-1185310

Statement 10
Form 990, Part V-A
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title and Average Hours Per Week Devoted</u>	<u>Compen- sation</u>	<u>Contri- bution to EBP & DC</u>	<u>Expense Account/ Other</u>
Luke Leonard 820 Bay Avenue, Suite 206 Capitola, CA 95010	Asst Exec Direc 50	\$ 57,653.	\$ 10,139.	\$ 0.
Georgia Leonard 820 Bay Avenue, Suite 206 Capitola, CA 95010	Executive Direc 50	58,803.	10,139.	0.
Faith Collins 1209 Funston Ave Pacific Grove, CA 93950	President 1	0.	0.	0.
Jean Dunn 700 El Salto Drive Capitola, CA 95010	Director 1	0.	0.	0.
Devon Gill 333 Whitcliff San Ramon, CA 94583	Vice President 1	0.	0.	0.
Mary McLane 1917 Creek Drive San Jose, CA 95125	Secretary 0	0.	0.	0.
Andrew Roth 180 Dean Road Alamo, CA 94507	Treasurer 1	0.	0.	0.
Eugene Zanger 6628 Pacheco Creek Drive Hollister, CA 95023	Director 1	0.	0.	0.
	Total	\$ 116,456.	\$ 20,278.	\$ 0.

Statement 11
Form 990, Part V-A, Line 75b
Compensation Paid to Related Individuals

Name and Relationship

Luke Leonard
 Georgia Leonard - Wife
 Audrey Leonard - Daughter

Georgia Leonard
 Luke Leonard - Husband
 Audrey Leonard - Daughter

Audrey Leonard

The Family Network, Inc.

43-1185310

Statement 11 (continued)
Form 990, Part V-A, Line 75b
Compensation Paid to Related Individuals

Luke Leonard - Father
 Georgia Leonard - Mother

Statement 12
Schedule A, Part I
Compensation of Five Highest Paid Employees

<u>Name and Address</u>	<u>Title & Average Hours Worked</u>	<u>Compen- sation</u>	<u>Contribut. EBP & DC</u>	<u>Expense Account</u>
Audrey Leonard 820 Bay Avenue #206 Capitola, CA 95010	Foreign Adopt. 50	52,195.	5,947.	0.
		Total \$ 52,195.	\$ 5,947.	\$ 0.

Statement 13
Schedule A, Part III, Line 2
Transactions with Trustees, Directors, Etc.

Towards the end of the fiscal year, a personal credit card of Luke Leonard was accidentally paid by the bookkeeper out of the Organization's funds. This effective loan to an officer was repaid to the organization subsequent to the end of the fiscal year.

Statement 14
Schedule A, Part III, Line 3a
Qualifications of Recipients Receiving Grants or Loans

Organizations receiving donations are those which directly aid this agency in furtherance of its exempt purpose. Periodic visits are made to the organizations by agency personnel.

Form **3115**

(Rev December 2003)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions)	
<u>The Family Network, Inc.</u>		43-1185310	
Number, street, and room or suite no. If a P O box, see the instructions		Principal business activity code number (see instructions)	
<u>820 Bay Avenue</u>		624100	
City or town, state, and ZIP Code		Tax year of change begins (MM/DD/YYYY) <u>7/01/2006</u>	
<u>Capitola, CA 95010</u>		Tax year of change ends (MM/DD/YYYY) <u>6/30/2007</u>	
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions)	
		<u>Jeffrey D. John, CPA</u>	
		Contact person's telephone number	
		<u>559-896-9111</u>	

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

<p>Check the box to indicate the applicant.</p> <p><input type="checkbox"/> Individual</p> <p><input type="checkbox"/> Corporation</p> <p><input type="checkbox"/> Controlled foreign corporation (Section 957)</p> <p><input type="checkbox"/> 10/50 corporation (Section 904(d)(2)(E))</p> <p><input type="checkbox"/> Qualified personal service corporation (Section 448(d)(2))</p> <p><input checked="" type="checkbox"/> Exempt organization Enter Code section <u>501(c)3</u></p>	<p><input type="checkbox"/> Cooperative (Section 1381)</p> <p><input type="checkbox"/> Partnership</p> <p><input type="checkbox"/> S corporation</p> <p><input type="checkbox"/> Insurance company (Section 816(a))</p> <p><input type="checkbox"/> Insurance company (Section 831)</p> <p><input type="checkbox"/> Other (specify) _____</p>	<p>Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)</p> <p><input type="checkbox"/> Depreciation or Amortization</p> <p><input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions</p> <p><input checked="" type="checkbox"/> Other (specify) <u>Change in Overall Method of Accounting</u></p>
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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		X

Note: Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable)

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)?		

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

Preparer (other than filer/applicant)

Daniel Rich 1/4/08

Signature and date

Signature of individual preparing the application and date

Name and title (print or type)

Daniel A. Rich

Name of individual preparing the application (print or type)

John, Rich & Company
1916 E Front St
Selma, CA 93662-3501

Name of firm preparing the application

Part II Information For All Requests (continued)	Yes	No
4c 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) <input type="checkbox"/> 90 day <input type="checkbox"/> 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?		
5a 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) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, and the tax year(s) before Appeals and/or a Federal court Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		X
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		X
8 Is the applicant making a change to which audit protection does not apply (see instructions)?		X
9a 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)?		X
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		
10a 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?		X
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?	X	
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: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) Proposed method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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 See Attachment 1					
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	
15a 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					
1st preceding year ended, mo 06 yr 2004	2nd preceding year ended, mo 06 yr 2005	3rd preceding year ended, mo 06 yr 2006			
\$ 796,472.	\$ 704,243.	\$ 514,446.			

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					
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 ▶ \$ -70,844. 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?					X
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

See Attachment 2

	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	-60,181.
c Expenses accrued but not paid	-6,542.
d Prepaid expenses previously deducted	-4,121.
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) _____	None
h Net section 481(a) adjustment (Combine lines 1a – 1g)	\$ -70,844.

a Income accrued but not received

b Income received or reported before it was earned Attach a description of the income and the legal basis for the proposed method

See Attachment 3

c Expenses accrued but not paid

d Prepaid expenses previously deducted

e Supplies on hand previously deducted and/or not previously reported

f Inventory on hand previously deducted and/or not previously reported Complete Schedule D, Part II

g Other amounts (specify) _____

h Net section 481(a) adjustment (Combine lines 1a – 1g)

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 CB 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)

BAA

Form 3115 (Rev 12-2003)

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

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. If the applicant is a construction contractor, include a detailed description of its construction activities.
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? Yes No
- b If 'Yes,' do all the contracts qualify for the exception under section 460(e) (see instructions)? Yes No
If line 2b is 'No,' attach an explanation.
- c 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)? Yes No
- d 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)? Yes No
If line 2d is 'Yes,' explain what cost comparison the applicant will use to determine a contract's completion factor.
If line 2d is 'No,' explain what method the applicant is using and the authority for its use.
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No
- b If 'Yes,' explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c 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:
 - a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? Yes No
 - b 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))? Yes No
- 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 pages 7 and 8.)

- 1 Attach a description of the inventory goods being changed.
- 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)? Yes No

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)

Inventory Being Changed		Inventory Not Being Changed
Present method	Proposed method	Present method

- 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 the instructions).)

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)

Section 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 _____
- 4a 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 CB 674, for each asset depreciated under section 168 (MACRS) or under section 1400L, the applicable asset class from Rev Proc 83-35, 1983-1 CB 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

2006

Form 3115 Attachments

Page 1

The Family Network, Inc.

43-1185310

Attachment 1
Form 3115, Part II, Line 13
Description of Trade or Business

Not-for-Profit Adoption Agency - The closest principal business activity code is
 624100 Social Assistance: Individual and Family Services

Attachment 2
Form 3115, Schedule A, Part I
Breakdown of Lines 1a - 1g

Line 1b

Refundable Adoption Fees

	\$ -60,181.
Total	<u>\$ -60,181.</u>

Line 1c

Accounting Fees

\$ -500.

Adoption Costs

-1,149.

Advertising

-300.

Auto Expense

-749.

Dues & Subscriptions

-489.

Employee Benefits, Officers

-167.

Employee Benefits, Others

-108.

Travel

-36.

Insurance

-13.

Data Services

-48.

Office Expense

-635.

Rent & Utilities

-129.

Supplies

-773.

Telephone

-1,446.

Total	<u>\$ -6,542.</u>
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Line 1d

Insurance

\$ -2,182.

Rent

-1,939.

Total	<u>\$ -4,121.</u>
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Attachment 3
Form 3115, Schedule A, Part I, Line 1b
Income Received or Reported Before it was Earned

<u>Description</u>	<u>Amount</u>	<u>Legal Basis for Proposed Method</u>
Refundable Adoption Fees	\$ -60,181.	Accrual Basis
Total	<u>\$ -60,181.</u>	

The Family Network, Inc.
EIN 43-1185310
Attachment to Form 3115, Schedule A, Part I

The following pages are from the Form 990 for the year ended June 30, 2006. These figures were reported on the cash basis of accounting. The amounts in Part I, lines 1a through 1g, are the accruals that would have been made if the financial information was reported on the accrual basis of accounting and, accordingly, do not agree to the figures on the following pages that are reported on the cash basis of accounting.