

# 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)

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

**A** For the 2005 calendar year, or tax year beginning and ending

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

**C** Name of organization: **MANDALA ADOPTION SERVICES**  
 Number and street (or P O box if mail is not delivered to street address): **6601 TURKEY FARM ROAD**  
 City or town, state or country, and ZIP + 4: **CHAPEL HILL, NC 27514**

**D** Employer identification number: **56-1838343**

**E** Telephone number: **919-942-5500**

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

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

**G** Website: **WWW.MANDALAADOPTION.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 chooses to file a return, be sure to file a complete return. Some states require a complete return.

**L** Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: **1766120.**

**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: **N/A**  
**H(c)** Are all affiliates included? **N/A**  Yes  No (If "No," attach a list)  
**H(d)** Is this a separate return filed by an organization covered by a group ruling?  Yes  No  
**I** Group Exemption Number: **N/A**

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

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances**

Revenue		Expenses		Net Assets	
1	Contributions, gifts, grants, and similar amounts received				
a	Direct public support	1a	2528.		
b	Indirect public support	1b			
c	Government contributions (grants)	1c			
d	Total (add lines 1a through 1c) (cash \$ 2528. noncash \$ )	1d	2528.		
2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	1763451.		
3	Membership dues and assessments	3			
4	Interest on savings and temporary cash investments	4	141.		
5	Dividends and interest from securities	5			
6a	Gross rents	6a			
b	Less rental expenses	6b			
c	Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7	Other investment income (describe )	7			
8a	Gross amount from sales of assets other than inventory	(A) Securities	(B) Other		
b	Less cost or other basis and sales expenses	8a			
c	Gain or (loss) (attach schedule)	8b			
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8c			
8d		8d			
9	Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>				
a	Gross revenue (not including \$ of contributions reported on line 1a)	9a			
b	Less direct expenses other than fundraising expenses	9b			
c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c			
10a	Gross sales of inventory, less returns and allowances	10a			
b	Less cost of goods sold	10b			
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			
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	1766120.		
13	Program services (from line 4, column (B))	13	1592956.		
14	Management and professional fees (from line 44, column (C))	14	141905.		
15	Fundraising (from line 44, column (D))	15			
16	Payments to affiliates (attach schedule)	16			
17	Total expenses (add lines 13 and 14, column (A))	17	1734861.		
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	31259.		
19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	37972.		
20	Other changes in net assets or fund balances (attach explanation)	20	See Statement 1 -69263.		
21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	-32.		

SCANNED JUL 17 2005

RECEIVED  
 MAY 19 2005  
 OGDEN UT

**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 (attach schedule) (cash \$ <u>0</u> • noncash \$ <u>0</u> .) If this amount includes foreign grants, check here <input type="checkbox"/>				
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25 Compensation of officers, directors, etc.	152842.	76420.	76422.	0.
26 Other salaries and wages	92103.	78426.	13677.	
27 Pension plan contributions				
28 Other employee benefits	25937.	7260.	18677.	
29 Payroll taxes	18565.	11736.	6829.	
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies				
34 Telephone	8075.	6057.	2018.	
35 Postage and shipping	16035.	12026.	4009.	
36 Occupancy	14400.	10800.	3600.	
37 Equipment rental and maintenance				
38 Printing and publications	7405.	5554.	1851.	
39 Travel	28254.	23840.	4414.	
40 Conferences, conventions, and meetings				
41 Interest	3853.	2890.	963.	
42 Depreciation, depletion, etc. (attach schedule)	4534.	3401.	1133.	
43 Other expenses not covered above (itemize):				
a _____	43a			
b _____	43b			
c _____	43c			
d _____	43d			
e _____	43e			
f _____	43f			
g <b>See Statement 2</b>	43g	1362858.	1354546.	8312.
44 <b>Total functional expenses.</b> Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	44	1734861.	1592956.	141905.

**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 \$ N/A, (ii) the amount allocated to Program services \$ N/A,

(iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

**Part III** Statement of Program Service Accomplishments (See the instructions.)

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 3	Program Service Expenses (Required for 501(c)(3) and (4) orgs , and 4947(a)(1) trusts, but optional for others )
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 )	
<b>a</b> PROVIDE ADOPTION SERVICES TO FAMILIES ADOPTING CHILDREN DOMESTICALLY AND INTERNATIONALLY. SERVICES INCLUDE CHILD PLACEMENT, COUNSELING, EDUCATION AND PRE-PLACEMENT ASSESSMENTS.  (Grants and allocations \$ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	1592956.
<b>b</b>  (Grants and allocations \$ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>c</b>  (Grants and allocations \$ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>d</b>  (Grants and allocations \$ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>e</b> Other program services (attach schedule) (Grants and allocations \$ ) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
<b>f</b> Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	1592956.

Form 990 (2005)

**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
<b>Assets</b>	45 Cash - non-interest-bearing	16604.	3946.
	46 Savings and temporary cash investments	2500.	10804.
	47 a Accounts receivable	21049.	
	b Less: allowance for doubtful accounts		
	48 a Pledges receivable		
	b Less: allowance for doubtful accounts		
	49 Grants receivable		
	50 Receivables from officers, directors, trustees, and key employees		
	51 a Other notes and loans receivable		
	b Less: allowance for doubtful accounts		
	52 Inventories for sale or use		
	53 Prepaid expenses and deferred charges		
	54 Investments - securities	<input type="checkbox"/> Cost <input type="checkbox"/> FMV	
	55 a Investments - land, buildings, and equipment: basis		
b Less: accumulated depreciation			
56 Investments - other			
57 a Land, buildings, and equipment: basis <i>see stmt #9</i>	21540.		
b Less: accumulated depreciation <i>stmt #9</i>	10756.		
58 Other assets (describe <b>DEPOSIT</b> )			
<b>59 Total assets</b> (must equal line 74). Add lines 45 through 58	55842.	51583.	
<b>Liabilities</b>	60 Accounts payable and accrued expenses	17870.	36099.
	61 Grants payable		
	62 Deferred revenue		
	63 Loans from officers, directors, trustees, and key employees		
	64 a Tax-exempt bond liabilities		
	b Mortgages and other notes payable		
	65 Other liabilities (describe <b>See Statement 4</b> )		15516.
<b>66 Total liabilities.</b> Add lines 60 through 65)	17870.	51615.	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here</b> <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74		
	67 Unrestricted	37972.	-32.
	68 Temporarily restricted		
	69 Permanently restricted		
	<b>Organizations that do not follow SFAS 117, check here</b> <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds		
	71 Paid-in or capital surplus, or land, building, and equipment fund		
	72 Retained earnings, endowment, accumulated income, or other funds		
<b>73 Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	37972.	-32.	
<b>74 Total liabilities and net assets/fund balances.</b> Add lines 66 and 73	55842.	51583.	

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

<b>a</b>	Total revenue, gains, and other support per audited financial statements		<b>a</b>	1766120.
<b>b</b>	Amounts included on line a but not on Part I, line 12:			
1	Net unrealized gains on investments	<b>b1</b>		
2	Donated services and use of facilities	<b>b2</b>		
3	Recoveries of prior year grants	<b>b3</b>		
4	Other (specify): _____	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b>		<b>b</b>	0.
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>		<b>c</b>	1766120.
<b>d</b>	Amounts included on Part I, line 12, but not on line a:			
1	Investment expenses not included on Part I, line 6b	<b>d1</b>		
2	Other (specify): _____	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b>		<b>d</b>	0.
<b>e</b>	<b>Total revenue</b> (Part I, line 12). Add lines <b>c</b> and <b>d</b>		<b>e</b>	1766120.

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

<b>a</b>	Total expenses and losses per audited financial statements		<b>a</b>	1734861.
<b>b</b>	Amounts included on line a but not on Part I, line 17:			
1	Donated services and use of facilities	<b>b1</b>		
2	Prior year adjustments reported on Part I, line 20	<b>b2</b>		
3	Losses reported on Part I, line 20	<b>b3</b>		
4	Other (specify): _____	<b>b4</b>		
	Add lines <b>b1</b> through <b>b4</b>		<b>b</b>	0.
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>		<b>c</b>	1734861.
<b>d</b>	Amounts included on Part I, line 17, but not on line a:			
1	Investment expenses not included on Part I, line 6b	<b>d1</b>		
2	Other (specify): _____	<b>d2</b>		
	Add lines <b>d1</b> and <b>d2</b>		<b>d</b>	0.
<b>e</b>	<b>Total expenses</b> (Part I, line 17). Add lines <b>c</b> and <b>d</b>		<b>e</b>	1734861.

**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 & deferred compensation plans	(E) Expense account and other allowances
GAIL STERN 6601 TURKEY FARM ROAD CHAPEL HILL, NC 27514	EXECUTIVE DIRECTOR 40.00	108750.	0.	0.
LEAH PRIBAC 6601 TURKEY FARM ROAD CHAPEL HILL, NC 27514	OPERATION DIRECTOR 40.00	44092.	0.	0.
SEE STATEMENT # 7 FOR DIRECTORS	0.00	0.	0.	0.
-----				
-----				
-----				
-----				
-----				
-----				
-----				
-----				
-----				



Part VI Other Information (continued)

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? 82a Yes No X
82 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.) 82b N/A
83 a Did the organization comply with the public inspection requirements for returns and exemption applications? 83a X
83 b Did the organization comply with the disclosure requirements relating to quid pro quo contributions? 83b X
84 a Did the organization solicit any contributions or gifts that were not tax deductible? 84a X
84 b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 84b N/A
85 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? 85a N/A
85 b Did the organization make only in-house lobbying expenditures of \$2,000 or less? 85b N/A
85 c Dues, assessments, and similar amounts from members 85c N/A
85 d Section 162(e) lobbying and political expenditures 85d N/A
85 e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e N/A
85 f Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f N/A
85 g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? 85g N/A
85 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? 85h N/A
86 501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12 86a N/A
86 b Gross receipts, included on line 12, for public use of club facilities 86b N/A
87 501(c)(12) organizations. Enter: a Gross income from members or shareholders 87a N/A
87 b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b N/A
88 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 X
89 a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 0, section 4912 0, section 4955 0.
89 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 89b X
89 c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 0.
89 d Enter: Amount of tax on line 89c, above, reimbursed by the organization 0.
90 a List the states with which a copy of this return is filed None
90 b Number of employees employed in the pay period that includes March 12, 2005 90b 5
91 a The books are in care of LEAH PRIBAC Telephone no 919-942-5500
Located at 6601 TURKEY FARM ROAD, CHAPEL HILL, NC ZIP +4 27514
91 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 N/A See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.
91 c At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country N/A
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A

Table with 2 columns: Yes, No. Row 91b: Yes, X. Row 91c: Yes, X.

**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) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a ADOPTION PROGRAM INCOME					1161457.
b PLACEMENT FEES					436099.
c HOME STUDY FEES					156500.
d COUNTRY REPORT FEES					7800.
e MISC ADOPTION SERVICES					1595.
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	141.	
96 Dividends and 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 personal property					
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))		0.		141.	1763451.
105 Total (add line 104, columns (B), (D), and (E))					1763592.

**Note:** Line 105 plus line 1d, 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)
▼	See Statement 5

**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).

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** Signature of officer: *Leah Ribac* Date: 5/11/06 Type or print name and title: LEAH PRIBAC, OPERATION DIRECTOR

**Paid Preparer's Use Only** Preparer's signature: *Kenneth Mart...* Date: 5/9/06 Check if self-employed:  Preparer's SSN or PTIN: P00172861

Firm's name (or yours if self-employed), address, and ZIP + 4: Stancil & Company, 4909 Windy Hill Drive, Raleigh, NC 27609

**STANCIL & COMPANY** EIN: CERTIFIED PUBLIC ACCOUNTANTS RALEIGH, NORTH CAROLINA 27609 Phone no: (919) 872-1260

FED. I.D. # 56-1131450



**SCHEDULE A**  
(Form 990 or 990-EZ)

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

OMB No 1545-0047

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

**2005**

Department of the Treasury  
Internal Revenue Service

**Supplementary Information-(See separate instructions.)**

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

Name of the organization

MANDALA ADOPTION SERVICES

Employer identification number

56 1838343

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the 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 & deferred compensation	(e) Expense account and other allowances
None				
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 page 2 of the 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 page 2 of the 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 page 2 of the instructions)

	Yes	No
<b>1</b> 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 <b>▶</b> \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) 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.		X
<b>2</b> 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.)		
<b>a</b> Sale, exchange, or leasing of property?		X
<b>b</b> Lending of money or other extension of credit?		X
<b>c</b> Furnishing of goods, services, or facilities? <span style="float: right;">See Statement 6</span>	X	
<b>d</b> Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? <span style="float: right;">See Part V-A, Form 990</span>	X	
<b>e</b> Transfer of any part of its income or assets?		X
<b>3 a</b> Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.)		X
<b>b</b> Do you have a section 403(b) annuity plan for your employees?		X
<b>c</b> During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?		X
<b>4 a</b> Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
<b>b</b> Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

**Part IV Reason for Non-Private Foundation Status** (See pages 3 through 6 of the instructions)

- 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)
  - 11a**  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)
  - 11b**  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 supports organizations described in (1) lines 5 through 12 above, or (2) sections 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) Check the box that describes the type of supporting organization **▶**  Type 1  Type 2  Type 3

Provide the following information about the supported organizations (See page 6 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14**  An organization organized and operated to test for public safety Section 509(a)(4) (See page 6 of the 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) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants See line 28)	7433.				7433.
16 Membership fees received					
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	1445826.				1445826.
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	41.				41.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
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					
22 Other income Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	1453300.	0.	0.	0.	1453300.
24 Line 23 minus line 17	7474.				7474.
25 Enter 1% of line 23	14533.				

26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24	26a	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 2001 through 2004 exceeded the amount shown in line 26a Do not file this list with your return. Enter the total of all these excess amounts	26b	N/A
c Total support for section 509(a)(1) test Enter line 24, column (e)	26c	N/A
d Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____	26d	N/A
e Public support (line 26c minus line 26d total)	26e	N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))	26f	N/A %

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	(2004)	0.	(2003)	0.	(2002)	0.	(2001)	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	(2004)	0.	(2003)	0.	(2002)	0.	(2001)	0.
c Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 1445826. 20 _____ 21 _____	27c	1453259.						
d Add: Line 27a total _____ 0. and line 27b total _____ 0.	27d	0.						
e Public support (line 27c total minus line 27d total)	27e	1453259.						
f Total support for section 509(a)(2) test Enter amount on line 23, column (e)	27f	1453300.						
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))	27g	99.9972%						
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))	27h	.0028%						

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, 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

None

**Part V Private School Questionnaire** (See page 7 of the instructions )

N/A

**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

		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 )		
<hr/>			
<hr/>			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
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 )	32d	
<hr/>			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement )	33h	
<hr/>			
<hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
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	34b	
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	35	

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions )

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

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
		N/A	
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 -                      The lobbying nontaxable amount is - Not over \$500,000                                      20% of the amount on line 40 Over \$500,000 but not over \$1,000,000                      \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000                      \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000                      \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000                                      \$1,000,000	41	
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 on page 11 of the instructions )

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45	Lobbying nontaxable amount				0.
46	Lobbying ceiling amount (150% of line 45(e))				0.
47	Total lobbying expenditures				0.
48	Grassroots nontaxable amount				0.
49	Grassroots ceiling amount (150% of line 48(e))				0.
50	Grassroots lobbying expenditures				0.

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the 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.)			0.

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



Form 990	Other Changes in Net Assets or Fund Balances	Statement	1
<u>Description</u>		<u>Amount</u>	
PRIOR YEAR ADJUSTMENT			-69263.
Total to Form 990, Part I, line 20			-69263.

Form 990	Other Expenses			Statement	2
	(A) Total	(B) Program Services	(C) Management and General	(D) Fundraising	
<u>ADOPTION PROGRAM EXPENSES</u>	1187392.	1187392.			
CONTRACT WORKERS	108654.	108654.			
COUNTRY AND DOCUMENT FEES	6191.	6191.			
ADVERTISING	21106.	21106.			
REPAIRS AND MAINTENANCE	3454.	2590.	864.		
OFFICE AND COMPUTER EXPENSES	20948.	15711.	5237.		
DUES AND MEMBERSHIPS	3328.	2496.	832.		
INSURANCE	1937.	1453.	484.		
BANK CHARGES	2942.	2206.	736.		
MISCELLANEOUS	6906.	6747.	159.		
Total to Fm 990, ln 43	1362858.	1354546.	8312.		

Form 990	Statement of Organization's Primary Exempt Purpose Part III	Statement	3
----------	--	-----------	---

Explanation  
 TO PROVIDE FULL ADOPTION SERVICES TO FAMILIES DOMESTICALLY AND INTERNATIONALLY.

Form 990 Other Liabilities Statement 4

Description	Amount
LINE OF CREDIT	1307.
ACCRUED PAYROLL	6966.
ACCRUED VACATION	4660.
DEFERRED REVENUE	2583.
Total to Form 990, Part IV, line 65, Column B	15516.

Form 990 Part VIII - Relationship of Activities to Accomplishment of Exempt Purposes Statement 5

Line	Explanation of Relationship of Activities
93A	TO PROVIDE FULL ADOPTION SERVICES FOR FAMILIES ADOPTED DOMESTICALLY AND INTERNATIONALLY.
93B	TO PROVIDE FULL ADOPTION SERVICES FOR FAMILIES ADOPTED DOMESTICALLY AND INTERNATIONALLY.
93C	TO PROVIDE FULL ADOPTION SERVICES FOR FAMILIES ADOPTED DOMESTICALLY AND INTERNATIONALLY.
93D	TO PROVIDE FULL ADOPTION SERVICES FOR FAMILIES ADOPTED DOMESTICALLY AND INTERNATIONALLY.
93E	TO PROVIDE FULL ADOPTION SERVICES FOR FAMILIES ADOPTED DOMESTICALLY AND INTERNATIONALLY.



---

Schedule A	Explanation of Transactions Part III, Line 2c	Statement 6
------------	--	-------------

---

THE ORGANIZATION RENTS OFFICE SPACE FROM ITS EXECUTIVE DIRECTOR AND PAYS \$1200 PER MONTH FOR THE USEAGE.

MANDALA ADOPTION SERVICES  
EIN 56-1838343  
BOARD OF DIRECTORS  
FOR CALENDAR YEAR 2005

Name	Address	Title	Compensations
Beril Ulku-Steiner	6601 Turkey Farm Road Chapel Hill, NC 27514	President	\$ -
Julie Bailey	6601 Turkey Farm Road Chapel Hill, NC 27514	Director	\$ -
Lenise Clifton	6601 Turkey Farm Road Chapel Hill, NC 27514	Director	\$ -
Tom Gualtieri	6601 Turkey Farm Road Chapel Hill, NC 27514	Director	\$ -
Jim Kendrick	6601 Turkey Farm Road Chapel Hill, NC 27514	Director	\$ -
Alice Manloff	6601 Turkey Farm Road Chapel Hill, NC 27514	Director	\$ -
Julia Vining	6601 Turkey Farm Road Chapel Hill, NC 27514	Counsel	\$ -

John Poteat 6601 Turkey Farm Rd  
Chapel Hill NC 27514  
DIRECTOR \$ -

MANDALA ADOPTION SERVICES  
EIN 56-1838343  
OFFICERS' COMPENSATION INFORMATION  
FOR CALENDAR YEAR 2005

<u>Officer Name</u>	<u>Title</u>	<u>Compensation \$</u>	<u>Type</u>
Gail Stern	Executive Director	\$ 108,750	Wages
Leah Pribac	Operation Director	\$ 44,092	Wages
		<u>152,842</u>	

**Tax Asset Detail 1/01/05 - 12/31/05**

**Form 990 Statement #9**

STATEMENT 9

Asset #	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Book Value	Tax Method	Tax Period
1	COLOR COPY MACHINE	12/05/00	500.00	0.00	0.00	413.60	86.40	500.00	0.00	200DB	5 0
2	3 DESKS	1/01/98	250.00	0.00	0.00	238.80	11.20	250.00	0.00	200DB	7 0
3	3 FILING CABINETS	1/01/99	600.00	0.00	0.00	519.66	53.56	573.22	26.78	200DB	7 0
4	FLAT SCREEN IMAC 1	10/31/03	2,917.00	0.00	1,458.50	1,516.84	560.06	2,076.90	840.10	200DB	5 0
5	FLAT SCREEN IMAC 2	10/31/03	2,917.00	0.00	1,458.50	1,516.84	560.06	2,076.90	840.10	200DB	5 0
6	FLAT SCREEN EMAC	10/31/03	918.00	0.00	459.00	477.36	176.26	653.62	264.38	200DB	5 0
7	XEROX LASER PRINTER	8/01/03	1,120.00	0.00	560.00	582.40	215.04	797.44	322.56	200DB	5 0
8	EPSON SCANNER	8/01/03	149.00	0.00	74.50	77.48	28.61	106.09	42.91	200DB	5 0
9	2 DESKS	11/01/03	259.00	0.00	100.44	100.44	45.30	145.74	113.26	200DB	7 0
10	FILING CABINET	1/01/04	200.00	0.00	28.58	28.58	48.98	77.56	122.44	200DB	7 0
11	CANON COPY MACHINE	5/11/04	800.00	0.00	160.00	160.00	256.00	416.00	384.00	200DB	5 0
12	APPLE EMAC 1	5/27/04	840.00	0.00	168.00	168.00	268.80	436.80	403.20	200DB	5 0
13	APPLE EMAC 2	5/27/04	840.00	0.00	168.00	168.00	268.80	436.80	403.20	200DB	5 0
14	APPLE EMAC 3	5/27/04	840.00	0.00	168.00	168.00	268.80	436.80	403.20	200DB	5 0
15	BRU BACKUP SYSTEM	6/14/05	1,927.00	0.00c	0.00	0.00	385.40	385.40	1,541.60	200DB	5 0
16	APPLE SUPERDRIVE SERVER	6/14/05	2,972.00	0.00c	0.00	0.00	594.40	594.40	2,377.60	200DB	5 0
17	XEROX LASER COLOR PRINTER	12/08/05	899.00	0.00c	0.00	0.00	179.80	179.80	719.20	200DB	5 0
18	FILING CABINET	12/05/05	145.00	0.00c	0.00	0.00	20.71	20.71	124.29	200DB	7 0
19	WOODEN STORAGE CABINET	7/01/04	600.00	0.00	85.74	85.74	146.93	232.67	367.33	200DB	7 0
20	FImaker Pro 7 Software Upgrades	6/14/05	1,847.00	0.00c	0.00	0.00	359.14	359.14	1,487.86	Amort	3 0
<b>Grand Total</b>			<b>21,540.00</b>	<b>0.00c</b>	<b>4,889.26</b>	<b>6,221.74</b>	<b>4,534.25</b>	<b>10,755.99</b>	<b>10,784.01</b>		

09