

Return of Organization Exempt From Income Tax

2003

Department of the Treasury
Internal Revenue Service

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

Open to Public Inspection

A For the 2003 calendar year, or tax year beginning and ending

| | | | | |
|---|---|---|------------|--|
| B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | Please use IRS label or print or type See Specific Instructions | C Name of organization REACHING ARMS INTERNATIONAL, INC | | D Employer identification number 41-1737622 |
| | | Number and street (or P O box if mail is not delivered to street address) 3701 WINNETKA AVENUE | Room/suite | E Telephone number 763-591-0791 |
| | | City or town, state or country, and ZIP + 4 NEW HOPE, MN 55428 | | F Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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).

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? 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

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

G Website WWW.RAIADOPT.ORG

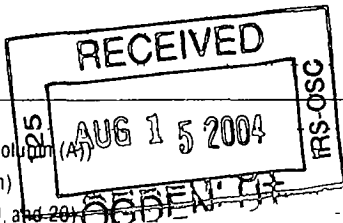
J Organization type (check only one) 501(c)(3) (insert no) 4947(a)(1) or 527

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

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 **1,517,622.**

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

| | | | | | |
|------------|---|--|------------|------------|--|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received | | | |
| | a | Direct public support | 1a | 113,884. | |
| | b | Indirect public support | 1b | | |
| | c | Government contributions (grants) | 1c | | |
| | d | Total (add lines 1a through 1c) (cash \$ 113,884. noncash \$) | 1d | 113,884. | |
| | 2 | Program service revenue including government fees and contracts (from Part VII, line 93) | 2 | 1,403,738. | |
| | 3 | Membership dues and assessments | 3 | | |
| | 4 | Interest on savings and temporary cash investments | 4 | | |
| | 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 | 8a | | |
| | | (B) Other | 8b | | |
| | | | 8c | | |
| d | Net gain or (loss) (combine line 8c, columns (A) and (B)) | 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 | | |
| | | | 10b | | |
| | | | 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 | 1,517,622. | | |
| Expenses | 13 | Program services (from line 44, column (B)) | 13 | 1,345,751. | |
| | 14 | Management and general (from line 44, column (C)) | 14 | 174,982. | |
| | 15 | Fundraising (from line 44, column (D)) | 15 | 8,781. | |
| | 16 | Payments to affiliates (attach schedule) | 16 | | |
| | 17 | Total expenses (add lines 16 and 44, column (A)) | 17 | 1,529,514. | |
| 18 | Excess or (deficit) for the year (subtract line 17 from line 12) | 18 | <11,892.> | | |
| Net Assets | 19 | Net assets or fund balances at beginning of year (from line 73, column (A)) | 19 | <31,578.> | |
| | 20 | Other changes in net assets or fund balances (attach explanation) | 20 | 0. | |
| | 21 | Net assets or fund balances at end of year (combine lines 18, 19, and 20) | 21 | <43,470.> | |



SCANNED AUG 18 '04

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 \$ _____ noncash \$ _____ | | | | |
| 23 | Specific assistance to individuals (attach schedule) | | | | |
| 24 | Benefits paid to or for members (attach schedule) | | | | |
| 25 | Compensation of officers, directors, etc | 42,000. | 0. | 42,000. | 0. |
| 26 | Other salaries and wages | 150,734. | 83,582. | 67,152. | |
| 27 | Pension plan contributions | | | | |
| 28 | Other employee benefits | 10,551. | 4,220. | 6,331. | |
| 29 | Payroll taxes | 16,828. | 6,731. | 10,097. | |
| 30 | Professional fundraising fees | | | | |
| 31 | Accounting fees | | | | |
| 32 | Legal fees | 868. | | 868. | |
| 33 | Supplies | 11,629. | 7,233. | 4,396. | |
| 34 | Telephone | 16,335. | 15,518. | 817. | |
| 35 | Postage and shipping | 24,396. | 24,396. | | |
| 36 | Occupancy | 9,625. | 7,700. | 962. | 963. |
| 37 | Equipment rental and maintenance | 3,682. | 2,946. | 368. | 368. |
| 38 | Printing and publications | 12,262. | | 6,131. | 6,131. |
| 39 | Travel | 29,466. | 29,466. | | |
| 40 | Conferences, conventions, and meetings | | | | |
| 41 | Interest | 33,436. | 31,319. | 2,117. | |
| 42 | Depreciation, depletion, etc (attach schedule) | 23,107. | 20,796. | 2,311. | |
| 43 | Other expenses not covered above (itemize) | | | | |
| a | SCHEDULE | 43a 1,144,595. | 1,111,844. | 31,432. | 1,319. |
| b | | 43b | | | |
| c | | 43c | | | |
| d | | 43d | | | |
| e | | 43e | | | |
| 44 | Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15 | 44 1,529,514. | 1,345,751. | 174,982. | 8,781. |

Joint Costs. Check if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____,

(iii) the amount allocated to Management and general \$ _____, and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? **SEE STATEMENT 1**

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) orgs. and 4947(a)(1) trusts, but optional for others)

| | | | |
|---|---|-----------------------------------|-------------------|
| a | A LICENSED CHILD PLACEMENT AGENCY-PLACING ORPHANED CHILDREN PRIMARILY FROM RUSSIA, THE UKRAINE, AND GUATEMALA. A TOTAL OF 59 CHILDREN WERE PLACED IN 2003. | (Grants and allocations \$ _____) | 1,193,083. |
| b | ORGANIZATION OF ORPHANAGE IN THE UKRAINE. | (Grants and allocations \$ _____) | 67,100. |
| c | PROVIDER OF HUMANITARIAN AID-FOOD, CLOTHING, ETC. | (Grants and allocations \$ _____) | 85,568. |
| d | | (Grants and allocations \$ _____) | |
| e | Other program services (attach schedule) | (Grants and allocations \$ _____) | |
| f | Total of Program Service Expenses (should equal line 44, column (B), Program services) | | 1,345,751. |

Part IV Balance Sheets

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 | 5,648. | 26,052. |
| | 46 Savings and temporary cash investments | | |
| | 47 a Accounts receivable | 30,688. | |
| | 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 | 500. | |
| | 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 | 2,418. | |
| | 54 Investments - securities | | |
| | 55 a Investments - land, buildings, and equipment basis | | |
| | b Less accumulated depreciation | | |
| 56 Investments - other | | | |
| 57 a Land, buildings, and equipment basis | 410,007. | | |
| b Less accumulated depreciation | 129,894. | | |
| 58 Other assets (describe) | | | |
| 59 Total assets (add lines 45 through 58) (must equal line 74) | 345,625. | 336,853. | |
| Liabilities | 60 Accounts payable and accrued expenses | 50,639. | 68,767. |
| | 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 | 326,564. | 311,556. |
| 65 Other liabilities (describe) | | | |
| 66 Total liabilities (add lines 60 through 65) | 377,203. | 380,323. | |
| 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 | <31,684.> | <44,041.> |
| | 68 Temporarily restricted | 106. | 571. |
| | 69 Permanently restricted | | |
| | 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 | | |
| | 71 Paid-in or capital surplus, or land, building, and equipment fund | | |
| | 72 Retained earnings, endowment, accumulated income, or other funds | | |
| 73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21) | <31,578.> | <43,470.> | |
| 74 Total liabilities and net assets / fund balances (add lines 66 and 73) | 345,625. | 336,853. | |

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.

| Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return | | | Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return | | |
|---|---|--------------|---|---|--------------|
| a Total revenue, gains, and other support per audited financial statements | ▶ | a 1,517,622. | a Total expenses and losses per audited financial statements | ▶ | a 1,529,514. |
| b Amounts included on line a but not on line 12, Form 990 | | | b Amounts included on line a but not on line 17, Form 990 | | |
| (1) Net unrealized gains on investments \$ _____ | | | (1) Donated services and use of facilities \$ _____ | | |
| (2) Donated services and use of facilities \$ _____ | | | (2) Prior year adjustments reported on line 20, Form 990 \$ _____ | | |
| (3) Recoveries of prior year grants \$ _____ | | | (3) Losses reported on line 20, Form 990 \$ _____ | | |
| (4) Other (specify) \$ _____ | | | (4) Other (specify) \$ _____ | | |
| Add amounts on lines (1) through (4) | ▶ | b 0. | Add amounts on lines (1) through (4) | ▶ | b 0. |
| c Line a minus line b | ▶ | c 1,517,622. | c Line a minus line b | ▶ | c 1,529,514. |
| d Amounts included on line 12, Form 990 but not on line a | | | d Amounts included on line 17, Form 990 but not on line a | | |
| (1) Investment expenses not included on line 6b, Form 990 \$ _____ | | | (1) Investment expenses not included on line 6b, Form 990 \$ _____ | | |
| (2) Other (specify) \$ _____ | | | (2) Other (specify) \$ _____ | | |
| Add amounts on lines (1) and (2) | ▶ | d 0. | Add amounts on lines (1) and (2) | ▶ | d 0. |
| e Total revenue per line 12, Form 990 (line c plus line d) | ▶ | e 1,517,622. | e Total expenses per line 17, Form 990 (line c plus line d) | ▶ | e 1,529,514. |

| Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated) | | | | |
|--|--|---|---|--|
| (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 | (E) Expense account and other allowances |
| NILA NEUMILLER 11409 RIDGEMOUNT AVENUE WEST MINNETONKA, MINNESOTA 55305 | EXECUTIVE DIRECTOR 40 | 42,000. | 0. | 0. |
| BILL NEUMILLER 11409 RIDGEMOUNT AVENUE WEST MINNETONKA, MINNESOTA 55305 | DIRECTOR 1 | 0. | 0. | 0. |
| CRAIG COOK 13035 JONQUIL LANE N DAYTON, MINNESOTA 55327 | PRESIDENT 1 | 0. | 0. | 0. |
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75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? If "Yes," attach schedule ▶ Yes No

Part VI Other Information **Yes No**

| | | | | |
|--|---|------------|-------------------------------------|-------------------------------------|
| 76 | Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | 76 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 77 | Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes | 77 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 78 a | Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? | 78a | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b | If "Yes," has it filed a tax return on Form 990-T for this year? N/A | 78b | <input type="checkbox"/> | <input type="checkbox"/> |
| 79 | Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement | 79 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 80 a | Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? | 80a | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b | If "Yes," enter the name of the organization and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt | | | |
| 81 a | Enter direct or indirect political expenditures See line 81 instructions 81a 0. | | | |
| b | Did the organization file Form 1120-POL for this year? | 81b | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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 | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b | Did the organization comply with the disclosure requirements relating to quid pro quo contributions? | 83b | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 84 a | Did the organization solicit any contributions or gifts that were not tax deductible? | 84a | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A | 84b | <input type="checkbox"/> | <input type="checkbox"/> |
| 85 501(c)(4), (5), or (6) organizations | a Were substantially all dues nondeductible by members? N/A | 85a | <input type="checkbox"/> | <input type="checkbox"/> |
| b | Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A | 85b | <input type="checkbox"/> | <input type="checkbox"/> |
| | 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 85c N/A | | | |
| d | Section 162(e) lobbying and political expenditures 85d N/A | | | |
| e | Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e N/A | | | |
| f | Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f N/A | | | |
| g | Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A | 85g | <input type="checkbox"/> | <input type="checkbox"/> |
| 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? N/A | 85h | <input type="checkbox"/> | <input type="checkbox"/> |
| 86 501(c)(7) organizations | a Initiation fees and capital contributions included on line 12 86a N/A | | | |
| b | Gross receipts, included on line 12, for public use of club facilities 86b N/A | | | |
| 87 501(c)(12) organizations | a Gross income from members or shareholders 87a 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) 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 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 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. | | | |
| 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 | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c | Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 0. | | | |
| 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 MINNESOTA | 90b | <input type="checkbox"/> | <input type="checkbox"/> |
| b | Number of employees employed in the pay period that includes March 12, 2003 6 | | | |
| 91 | The books are in care of NILA NEUMILLER Telephone no 763-591-0791 | | | |
| | Located at 3701 WINNETKA AVE., NEW HOPE, MN ZIP + 4 55428 | | | |
| 92 | Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year N/A | 92 | <input type="checkbox"/> | <input type="checkbox"/> |

Part VII Analysis of Income-Producing Activities (See page 33 of 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 FEES | | | | | 766,249. |
| b PROGRAM FEES | | | | | 551,304. |
| c HOME STUDY | | | | | 83,880. |
| d OTHER INCOME | | | | | 2,305. |
| e | | | | | |
| 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 | | |
| 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. | | 0. | 1,403,738. |
| 105 Total (add line 104, columns (B), (D), and (E)) | | | | | 1,403,738. |

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 page 34 of 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 2 |
| | |
| | |

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of 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

- (a) Did the organization, during the year, receive any funds, directly or indirectly,
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on

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

| | | |
|--------------------------|--|------|
| Please Sign Here | 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 info. | |
| | Signature of officer | Date |
| Paid Preparer's Use Only | Preparer's signature | 7/ |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 | |

WOLF, ETTER & CO., P.A.
15650 36TH AVENUE N., S
PLYMOUTH, MN 55446-3261

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 Section 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

2003

Name of the organization

REACHING ARMS INTERNATIONAL, INC

Employer identification number

41 1737622

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 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 |
|---|-------------------------------------|------------------|
| MARY BONN 79 GLEN EAGLE CIRCLE, NAPLES, FL 34104 | FACILITATOR OF GUATEMALAN ADOPTI | 163,725. |
| | | |
| | | |
| | | |
| | | |
| Total number of others receiving over \$50,000 for professional services ▶ | 0 | |

| Part III Statements About Activities (See page 2 of the instructions) | | Yes | No |
|---|---|-----|----|
| 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 ► \$ _____ \$ _____ (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 |
| 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) | | |
| a | Sale, exchange, or leasing of property? | | X |
| b | Lending of money or other extension of credit? | | X |
| c | Furnishing of goods, services, or facilities? | | X |
| d | Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V, FORM 990 | X | |
| e | Transfer of any part of its income or assets? | | X |
| 3 a | 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 | Do you have a section 403(b) annuity plan for your employees? | X | |
| 4 | 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 |

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) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 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) 2002 | (b) 2001 | (c) 2000 | (d) 1999 | (e) Total |
|---|---|-----------|-----------|-----------|----------------|
| 15 Gifts, grants, and contributions received (Do not include unusual grants See line 28) | 73,418. | 110,809. | 66,145. | 40,197. | 290,569. |
| 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 | 532,969. | 760,864. | 846,728. | 618,164. | 2,758,725. |
| 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 | 13. | 88. | 93. | 190. | 384. |
| 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 | 606,400. | 871,761. | 912,966. | 658,551. | 3,049,678. |
| 24 Line 23 minus line 17 | 73,431. | 110,897. | 66,238. | 40,387. | 290,953. |
| 25 Enter 1% of line 23 | 6,064. | 8,718. | 9,130. | 6,586. | |
| 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 1999 through 2002 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 _____ | | | | | 26d N/A |
| 22 _____ 26b _____ | | | | | 26e N/A |
| e Public support (line 26c minus line 26d total) | | | | | 26f N/A % |
| f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) | | | | | |
| 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 | (2002) 0. | (2001) 0. | (2000) 0. | (1999) 0. | 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 11, 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 | (2002) 0. | (2001) 0. | (2000) 0. | (1999) 0. | 0. |
| c Add Amounts from column (e) for lines 15 _____ 16 _____ | | | | | 27c 3,049,294. |
| 17 _____ 20 _____ 21 _____ | | | | | 27d 0. |
| d Add Line 27a total _____ and line 27b total _____ | | | | | 27e 3,049,294. |
| e Public support (line 27c total minus line 27d total) | | | | | |
| f Total support for section 509(a)(2) test Enter amount on line 23, column (e) | 27f 3,049,678. | | | | |
| g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) | | | | | 27g 99.9874% |
| h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) | | | | | 27h .0126% |

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1999 through 2002, 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) _____ _____ | | |
| 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 | |
| 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 | |
| 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 - | | |
| 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 | | |
| \$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 on page 11 of the instructions)

| Calendar year (or fiscal year beginning in) | Lobbying Expenditures During 4-Year Averaging Period | | | | N/A (e) Total |
|--|--|-------------|-------------|-------------|---------------------|
| | (a) 2003 | (b) 2002 | (c) 2001 | (d) 2000 | |
| 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 12 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

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See page 12 of the instructions)

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

- a** Transfers from the reporting organization to a noncharitable exempt organization of
 - (i) Cash
 - (ii) Other assets
- b** Other transactions
 - (i) Sales or exchanges of assets with a noncharitable exempt organization
 - (ii) Purchases of assets from a noncharitable exempt organization
 - (iii) Rental of facilities, equipment, or other assets
 - (iv) Reimbursement arrangements
 - (v) Loans or loan guarantees
 - (vi) Performance of services or membership or fundraising solicitations
- c** Sharing of facilities, equipment, mailing lists, other assets, or paid employees
- d** If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received

| | Yes | No |
|--------|-----|----|
| 51a(i) | | X |
| a(ii) | | X |
| b(i) | | X |
| b(ii) | | X |
| b(iii) | | X |
| b(iv) | | X |
| b(v) | | X |
| b(vi) | | X |
| c | | X |

If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received

| (a) Line no | (b) Amount involved | (c) Name of noncharitable exempt organization | (d) Description of transfers, transactions, and sharing arrangements |
|----------------|------------------------|--|---|
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52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? Yes No

b If "Yes," complete the following schedule N/A

| (a) Name of organization | (b) Type of organization | (c) Description of relationship |
|-----------------------------|-----------------------------|------------------------------------|
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FORM 990 STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE STATEMENT 1
PART III

EXPLANATION

TO PLACE ORPHANED CHILDREN INTO HOMES AND PROVIDE HUMANITARIAN AID SUCH AS FOOD, MEDICINE AND CLOTHING TO SICK AND NEEDY CHILDREN.

FORM 990 PART VIII - RELATIONSHIP OF ACTIVITIES TO STATEMENT 2
ACCOMPLISHMENT OF EXEMPT PURPOSES

| LINE | EXPLANATION OF RELATIONSHIP OF ACTIVITIES |
|------|---|
| 93A | ASSIST IN THE ADOPTION OF ORPHANED CHILDREN AND PROVIDE RELATED ADOPTION SERVICES |
| 93B | ASSIST IN THE ADOPTION OF ORPHANED CHILDREN AND PROVIDE RELATED ADOPTION SERVICES |
| 93C | ASSIST IN THE ADOPTION OF ORPHANED CHILDREN AND PROVIDE RELATED ADOPTION SERVICES |
| 93D | ASSIST IN THE ADOPTION OF ORPHANED CHILDREN AND PROVIDE RELATED ADOPTION SERVICES |

Tax Asset Detail 1/01/03 - 12/31/03

FYE: 12/31/2003

| Asset * | Property Description | Date In Service | Tax Cost | Sec 179 Exp Current = c | Tax Sec 168(k) Amt | Tax Prior Depreciation | Tax Current Depreciation | Tax End Depr | Tax Net Book Value | Tax - Method | Tax Period |
|----------------------------------|---------------------------|-----------------|-------------------|-------------------------|--------------------|------------------------|--------------------------|------------------|--------------------|--------------|------------|
| Group: building | | | | | | | | | | | |
| 68 | office building | 3/01/00 | 280,590 06 | 0 00 | 0 00 | 19,875 13 | 7,014 75 | 26,889 88 | 253,700.18 | S/L | 40 0 |
| 69 | sign | 3/14/00 | 1,965 50 | 0 00 | 0 00 | 556 89 | 196 55 | 753 44 | 1 212 06 | S/L | 10 0 |
| | building | | 282,555 56 | 0 00c | 0 00 | 20,432 02 | 7,211 30 | 27,643 32 | 254 912 24 | | |
| Group: computer equipment | | | | | | | | | | | |
| 43 | | 9/09/96 | 1,066 00 | 0 00 | 0 00 | 1,066 00 | 0 00 | 1,066 00 | 0 00 | S/L | 5 0 |
| 44 | | 1/01/97 | 2,812 00 | 0 00 | 0 00 | 2,812 00 | 0 00 | 2,812 00 | 0 00 | S/L | 5 0 |
| 45 | | 4/15/97 | 669 95 | 0 00 | 0 00 | 669 95 | 0 00 | 669 95 | 0 00 | S/L | 5 0 |
| 46 | | 6/20/97 | 3,805 00 | 0 00 | 0 00 | 3,805 00 | 0 00 | 3,805 00 | 0 00 | S/L | 5 0 |
| 47 | | 6/21/97 | 1,260 00 | 0 00 | 0 00 | 1,260 00 | 0 00 | 1,260 00 | 0 00 | S/L | 5 0 |
| 48 | | 7/15/97 | 2,171 00 | 0 00 | 0 00 | 2,171 00 | 0 00 | 2,171 00 | 0 00 | S/L | 5 0 |
| 49 | | 8/06/97 | 1,025 00 | 0 00 | 0 00 | 1,025 00 | 0 00 | 1,025 00 | 0 00 | S/L | 5 0 |
| 50 | | 8/28/97 | 507 00 | 0 00 | 0 00 | 507 00 | 0 00 | 507 00 | 0 00 | S/L | 5 0 |
| 51 | | 12/03/97 | 610 70 | 0 00 | 0 00 | 610 70 | 0 00 | 610 70 | 0 00 | S/L | 5 0 |
| 52 | computer & monitor | 3/04/98 | 3,114 65 | 0 00 | 0 00 | 3,010 83 | 103 82 | 3,114 65 | 0 00 | S/L | 5 0 |
| 53 | keyboard | 5/22/98 | 85 19 | 0 00 | 0 00 | 78 11 | 7 08 | 85 19 | 0 00 | S/L | 5 0 |
| 54 | laptop computer | 7/02/98 | 3,398 55 | 0 00 | 0 00 | 3,058 70 | 339 85 | 3,398 55 | 0 00 | S/L | 5 0 |
| 55 | zip disks | 7/16/98 | 53 24 | 0 00 | 0 00 | 47 04 | 6 20 | 53 24 | 0 00 | S/L | 5 0 |
| 56 | mac computer | 9/01/98 | 1,561 42 | 0 00 | 0 00 | 1,353 22 | 208 20 | 1,561 42 | 0 00 | S/L | 5 0 |
| 57 | server | 11/13/98 | 670 00 | 0 00 | 0 00 | 558 33 | 111 67 | 670 00 | 0 00 | S/L | 5 0 |
| 58 | computer | 11/22/98 | 833 56 | 0 00 | 0 00 | 680 73 | 152 83 | 833 56 | 0 00 | S/L | 5 0 |
| 59 | zip disk | 12/05/98 | 99 99 | 0 00 | 0 00 | 81 67 | 18 32 | 99 99 | 0 00 | S/L | 5 0 |
| 60 | computer equipment | 1/09/99 | 136 26 | 0 00 | 0 00 | 109 00 | 27 26 | 136 26 | 0 00 | S/L | 5 0 |
| 61 | deskfet 34 | 1/30/99 | 365 35 | 0 00 | 0 00 | 286 19 | 73 07 | 359 26 | 6 09 | S/L | 5 0 |
| 62 | laser writer | 3/22/99 | 275 84 | 0 00 | 0 00 | 206 89 | 55 17 | 262 06 | 13 78 | S/L | 5 0 |
| 63 | dell dimension mini | 3/06/00 | 2,488 15 | 0 00 | 0 00 | 1,409 95 | 497 63 | 1,907 58 | 580 57 | S/L | 5 0 |
| 64 | software | 3/14/00 | 466 37 | 0 00 | 0 00 | 440 47 | 25 90 | 466 37 | 0 00 | S/L | 3 0 |
| 65 | mac computer | 4/17/00 | 605 20 | 0 00 | 0 00 | 322 77 | 121 04 | 443 81 | 161 39 | S/L | 5 0 |
| 95 | | 8/07/02 | 211 69 | 0 00 | 0 00 | 17 64 | 42 34 | 59 98 | 151 71 | S/L | 5 0 |
| 96 | Software Upgrade | 9/21/02 | 311 49 | 0 00 | 0 00 | 25 96 | 103 83 | 129 79 | 181 70 | S/L | 3 0 |
| | computer equipment | | 28,603.60 | 0 00c | 0 00 | 25,614 15 | 1,894 21 | 27,508 36 | 1,095 24 | | |
| Group: equipment | | | | | | | | | | | |
| 7 | paper shredder | 1/04/98 | 199 99 | 0 00 | 0 00 | 199 99 | 0 00 | 199 99 | 0 00 | S/L | 5 0 |
| 8 | camera | 3/13/98 | 399 96 | 0 00 | 0 00 | 386 62 | 13 34 | 399 96 | 0 00 | S/L | 5 0 |
| 9 | Ext warranty | 5/23/98 | 119 99 | 0 00 | 0 00 | 110 01 | 9 98 | 119 99 | 0 00 | S/L | 5 0 |
| 10 | color TV | 7/24/98 | 244 91 | 0 00 | 0 00 | 216 33 | 28 58 | 244 91 | 0 00 | S/L | 5 0 |
| 11 | Overhead | 7/31/98 | 213 99 | 0 00 | 0 00 | 189 03 | 24 96 | 213 99 | 0 00 | S/L | 5 0 |
| 12 | coffee maker | 10/27/98 | 139 99 | 0 00 | 0 00 | 116 67 | 23 32 | 139 99 | 0 00 | S/L | 5 0 |
| 13 | portable radio | 4/15/99 | 179 73 | 0 00 | 0 00 | 134 81 | 35 95 | 170 76 | 8 97 | S/L | 5 0 |
| 15 | typewriter | 9/02/99 | 99 99 | 0 00 | 0 00 | 66 67 | 20 00 | 86 67 | 13 32 | S/L | 5 0 |
| 16 | slide projector | 11/14/99 | 662 53 | 0 00 | 0 00 | 419 62 | 132 51 | 552 13 | 110 40 | S/L | 5 0 |
| 18 | telephone | 2/25/00 | 180 00 | 0 00 | 0 00 | 102 00 | 36 00 | 138 00 | 42 00 | S/L | 5 0 |
| 19 | | 12/14/96 | 849 00 | 0 00 | 0 00 | 790 40 | 58 60 | 849 00 | 0 00 | S/L | 7 0 |
| 20 | | 6/12/97 | 1,230 00 | 0 00 | 0 00 | 1,230 00 | 0 00 | 1,230 00 | 0 00 | S/L | 5 0 |

Tax Asset Detail 1/01/03 - 12/31/03

FYE. 12/31/2003

| Asset * | Property Description | Date In Service | Tax Cost | Sec 179 Exp Current = c | Tax Sec 168(k) Amt | Tax Prior Depreciation | Tax Current Depreciation | Tax End Depr | Tax Net Book Value | Tax - Method | Tax Period |
|---------------------------------------|--------------------------------|-----------------|------------------|-------------------------|--------------------|------------------------|--------------------------|------------------|--------------------|--------------|------------|
| Group: equipment (continued) | | | | | | | | | | | |
| 22 | | 7/15/97 | 863 00 | 0 00 | 0 00 | 863 00 | 0 00 | 863 00 | 0 00 | S/L | 5 0 |
| 23 | | 8/28/97 | 2,034 00 | 0 00 | 0 00 | 2,034 00 | 0 00 | 2,034 00 | 0 00 | S/L | 5 0 |
| 24 | | 10/25/97 | 665 63 | 0 00 | 0 00 | 665 63 | 0 00 | 665 63 | 0 00 | S/L | 5 0 |
| 92 | RAI Camera | 6/08/01 | 799 63 | 0 00 | 0 00 | 253 22 | 159 93 | 413 15 | 386 48 | S/L | 5 0 |
| 93 | Cam Corder | 3/11/02 | 1,113 49 | 0 00 | 0 00 | 185 58 | 222 70 | 408 28 | 705 21 | S/L | 5 0 |
| 94 | Compact Bag | 3/11/02 | 750 00 | 0 00 | 0 00 | 89 29 | 107 14 | 196 43 | 553 57 | S/L | 7 0 |
| 99 | Telephone System | 11/14/03 | 297 00 | 0 00c | 0 00 | 0 00 | 9 90 | 9 90 | 287 10 | S/L | 5 0 |
| | equipment | | 11,042 83 | 0 00c | 0 00 | 8,052 87 | 882 91 | 8,935 78 | 2,107 05 | | |
| Group: furniture and fixtrures | | | | | | | | | | | |
| 1 | | 1/01/94 | 974 00 | 0 00 | 0 00 | 974 00 | 0 00 | 974 00 | 0 00 | S/L | 5 0 |
| 2 | | 6/12/97 | 2,336 00 | 0 00 | 0 00 | 2,336 00 | 0 00 | 2,336 00 | 0 00 | S/L | 5 0 |
| 3 | | 7/11/97 | 1,499 00 | 0 00 | 0 00 | 1,499 00 | 0 00 | 1,499 00 | 0 00 | S/L | 5 0 |
| 4 | | 7/15/97 | 2,667 00 | 0 00 | 0 00 | 2,667 00 | 0 00 | 2,667 00 | 0 00 | S/L | 5 0 |
| 5 | | 8/28/97 | 4,834 00 | 0 00 | 0 00 | 4,834 00 | 0 00 | 4,834 00 | 0 00 | S/L | 5 0 |
| 6 | | 9/17/97 | 2,294 00 | 0 00 | 0 00 | 2,294 00 | 0 00 | 2,294 00 | 0 00 | S/L | 5 0 |
| 14 | fire cabinet drawer | 8/25/99 | 1,676 00 | 0 00 | 0 00 | 1,117 33 | 335 20 | 1,452 53 | 223 47 | S/L | 5 0 |
| 21 | | 11/28/97 | 2,124 41 | 0 00 | 0 00 | 2,124 41 | 0 00 | 2,124 41 | 0 00 | S/L | 5 0 |
| 25 | pictures and frames | 2/15/98 | 846 21 | 0 00 | 0 00 | 832 10 | 14 11 | 846 21 | 0 00 | S/L | 5 0 |
| 26 | desk | 3/11/98 | 1,061 19 | 0 00 | 0 00 | 1,025 83 | 35 36 | 1,061 19 | 0 00 | S/L | 5 0 |
| 27 | framed picture | 3/19/98 | 616 00 | 0 00 | 0 00 | 585 20 | 30 80 | 616 00 | 0 00 | S/L | 5 0 |
| 28 | office furniture | 3/30/98 | 1,330 40 | 0 00 | 0 00 | 1,263 88 | 66 52 | 1,330 40 | 0 00 | S/L | 5 0 |
| 29 | office picture | 4/27/98 | 335 00 | 0 00 | 0 00 | 312 67 | 22 33 | 335 00 | 0 00 | S/L | 5 0 |
| 30 | chair/futon | 7/23/98 | 467 97 | 0 00 | 0 00 | 413 37 | 54 60 | 467 97 | 0 00 | S/L | 5 0 |
| 31 | Dayton's | 8/12/98 | 655 80 | 0 00 | 0 00 | 579 29 | 76 51 | 655 80 | 0 00 | S/L | 5 0 |
| 32 | desk | 2/14/00 | 657 60 | 0 00 | 0 00 | 383 60 | 131 52 | 515 12 | 142 48 | S/L | 5 0 |
| 33 | chair | 2/14/00 | 143 40 | 0 00 | 0 00 | 83 65 | 28 68 | 112 33 | 31 07 | S/L | 5 0 |
| 34 | 2 drawer file | 2/14/00 | 430 80 | 0 00 | 0 00 | 251 30 | 86 16 | 337 46 | 93 34 | S/L | 5 0 |
| 35 | desk | 3/10/00 | 946 00 | 0 00 | 0 00 | 536 07 | 189 20 | 725 27 | 220 73 | S/L | 5 0 |
| 36 | 2 chairs | 3/16/00 | 580 26 | 0 00 | 0 00 | 319 14 | 116 05 | 435 19 | 145 07 | S/L | 5 0 |
| 37 | 3 files | 3/16/00 | 1,275 00 | 0 00 | 0 00 | 701 25 | 255 00 | 956 25 | 318 75 | S/L | 5 0 |
| 38 | seating | 3/22/00 | 318 26 | 0 00 | 0 00 | 175 04 | 63 65 | 238 69 | 79 57 | S/L | 5 0 |
| 39 | wall panels | 4/12/00 | 51 68 | 0 00 | 0 00 | 28 43 | 10 34 | 38 77 | 12 91 | S/L | 5 0 |
| 41 | 2 desks | 4/28/00 | 501 60 | 0 00 | 0 00 | 267 52 | 100 32 | 367 84 | 133 76 | S/L | 5 0 |
| 42 | chair | 4/28/00 | 143 40 | 0 00 | 0 00 | 76 48 | 28 68 | 105 16 | 38 24 | S/L | 5 0 |
| 74 | 2 file-lat | 7/10/00 | 1,192 12 | 0 00 | 0 00 | 596 05 | 238 42 | 834 47 | 357 65 | S/L | 5 0 |
| 75 | 2 folding tables -8ft | 7/13/00 | 63 98 | 0 00 | 0 00 | 32 00 | 12 80 | 44 80 | 19 18 | S/L | 5 0 |
| 76 | 20 stacking chairs | 7/13/00 | 699 80 | 0 00 | 0 00 | 349 90 | 139 96 | 489 86 | 209 94 | S/L | 5 0 |
| 77 | 4 folding tables-6ft | 7/18/00 | 119 96 | 0 00 | 0 00 | 57 98 | 23 99 | 81 97 | 37 99 | S/L | 5 0 |
| 81 | refrigirator | 6/11/01 | 557 49 | 0 00 | 0 00 | 176 54 | 111 50 | 288 04 | 269 45 | S/L | 5 0 |
| 97 | | 3/26/02 | 672 00 | 0 00 | 0 00 | 72 00 | 96 00 | 168 00 | 504 00 | S/L | 7 0 |
| 98 | | 3/26/02 | 436 00 | 0 00 | 0 00 | 46 71 | 62 29 | 109 00 | 327 00 | S/L | 7 0 |
| 100 | Filing Cabinet | 11/14/03 | 1,479 93 | 0 00c | 0 00 | 0 00 | 35 24 | 35 24 | 1,444 69 | S/L | 7 0 |
| | furniture and fixtrures | | 33,986 26 | 0 00c | 0 00 | 27,011 74 | 2,365 23 | 29,376 97 | 4,609 29 | | |

Tax Asset Detail 1/01/03 - 12/31/03

FYE: 12/31/2003

| Asset * | Property Description | Date In Service | Tax Cost | Sec 179 Exp Current = c | Tax Sec 168(k) Amt | Tax Prior Depreciation | Tax Current Depreciation | Tax End Depr | Tax Net Book Value | Tax Method | Tax Period |
|------------------------|----------------------------------|-----------------|-------------------|-------------------------|--------------------|------------------------|--------------------------|-------------------|--------------------|------------|------------|
| Group: Ukraine | | | | | | | | | | | |
| 17 | copier | 2/17/00 | 889 58 | 0 00 | 0 00 | 504 10 | 177 92 | 682 02 | 207 56 | S/L | 5 0 |
| 66 | computer-orphanage | 4/23/99 | 1,430 00 | 0 00 | 0 00 | 967 67 | 286 00 | 1,253 67 | 176 33 | S/L | 5 0 |
| 71 | Computer | 5/25/00 | 789 00 | 0 00 | 0 00 | 407 65 | 157 80 | 565 45 | 223 55 | S/L | 5 0 |
| 72 | Monitor 17" | 6/05/00 | 639 00 | 0 00 | 0 00 | 330 15 | 127 80 | 457 95 | 181 05 | S/L | 5 0 |
| 73 | Stereo | 7/25/00 | 115 01 | 0 00 | 0 00 | 55 58 | 23 00 | 78 58 | 36 43 | S/L | 5 0 |
| 78 | KIA Cars 2 | 1/13/99 | 2,030 00 | 0 00 | 0 00 | 1,624 00 | 406 00 | 2,030 00 | 0 00 | S/L | 5 0 |
| 79 | furniture, blinds | 3/18/00 | 3,337 00 | 0 00 | 0 00 | 1,835 35 | 667 40 | 2,502 75 | 834 25 | S/L | 5 0 |
| 80 | furniture blinds, carpet, chairs | 3/21/00 | 3,568 00 | 0 00 | 0 00 | 1,962 40 | 713 60 | 2,676 00 | 892 00 | S/L | 5 0 |
| 82 | piano | 3/19/01 | 100 00 | 0 00 | 0 00 | 35 00 | 20 00 | 55 00 | 45 00 | S/L | 5 0 |
| 83 | micr | 4/11/01 | 156 73 | 0 00 | 0 00 | 54 86 | 31 35 | 86 21 | 70 52 | S/L | 5 0 |
| 84 | furniture | 4/11/01 | 442 38 | 0 00 | 0 00 | 154 84 | 88 48 | 243 32 | 199 06 | S/L | 5 0 |
| 85 | printer | 5/17/01 | 132 71 | 0 00 | 0 00 | 42 02 | 26 54 | 68 56 | 64 15 | S/L | 5 0 |
| 86 | TV | 6/05/01 | 414 91 | 0 00 | 0 00 | 131 39 | 82 98 | 214 37 | 200 54 | S/L | 5 0 |
| 87 | childrens furniture | 7/16/01 | 386 57 | 0 00 | 0 00 | 109 52 | 77 31 | 186 83 | 199 74 | S/L | 5 0 |
| 88 | washing machine | 9/04/01 | 453 54 | 0 00 | 0 00 | 120 95 | 90 71 | 211 66 | 241 88 | S/L | 5 0 |
| 89 | fireproof cabinet,sofa,table | 9/04/01 | 520 30 | 0 00 | 0 00 | 138 75 | 104 06 | 242 81 | 277 49 | S/L | 5 0 |
| 90 | armchairs & sofa | 9/04/01 | 250 00 | 0 00 | 0 00 | 66 67 | 50 00 | 116 67 | 133 33 | S/L | 5 0 |
| 91 | refrigirator | 9/04/01 | 209 73 | 0 00 | 0 00 | 55 93 | 41 95 | 97 88 | 111 85 | S/L | 5 0 |
| | Ukraine | | <u>15,864 46</u> | <u>0 00c</u> | <u>0 00</u> | <u>8,596 83</u> | <u>3,172 90</u> | <u>11,769 73</u> | <u>4,094 73</u> | | |
| Group: vehicles | | | | | | | | | | | |
| 67 | 2001 Honda | 10/02/00 | 37,953 89 | 0 00 | 0 00 | 17,079 25 | 7,590 78 | 24,670 03 | 13,283 86 | S/L | 5 0 |
| | vehicles | | <u>37,953 89</u> | <u>0 00c</u> | <u>0 00</u> | <u>17,079 25</u> | <u>7,590 78</u> | <u>24,670 03</u> | <u>13,283 86</u> | | |
| | Grand Total | | <u>410,006 60</u> | <u>0 00c</u> | <u>0 00</u> | <u>106,786 86</u> | <u>23,117 33</u> | <u>129,904 19</u> | <u>280,102 41</u> | | |

Reaching Arms International, Inc.
New Hope, Minnesota

41-1737622

December 31, 2003

Part II — Schedule of Other Functional Expenses

| | (A) | (B) | (C) | (D) |
|-----------------------------|------------------|-----------------------------|-------------------------------|--------------------------|
| | <u>Total</u> | <u>Program Services</u> | <u>Mgmt & General</u> | <u>Fund- raising</u> |
| Overseas adoption costs | 677,878 | 677,878 | | |
| Domestic adoption costs | 280,098 | 280,098 | | |
| Ministries donations | 76,673 | 76,673 | | |
| Childrens of Cradle of Hope | 51,230 | 51,230 | | |
| Contract labor | 17,736 | 16,393 | 1,343 | |
| Professional fees | 13,852 | | 13,852 | |
| Promotion | 2,638 | 1,319 | | 1,319 |
| Equipment | 2,919 | 2,582 | 337 | |
| Automobile expense | 3,134 | 2,194 | 940 | |
| Meeting expense | 2,365 | 2,365 | | |
| Bank service charges | 1,564 | | 1,564 | |
| Insurance | 6,972 | | 6,972 | |
| Dues and subscriptions | 2,224 | 1,112 | 1,112 | |
| Other | 5,312 | | 5,312 | |
| | <u>1,144,595</u> | <u>1,111,844</u> | <u>31,432</u> | <u>1,319</u> |
| Totals | <u>1,144,595</u> | <u>1,111,844</u> | <u>31,432</u> | <u>1,319</u> |