

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)

Open to Public Inspection

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

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

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

Please use IRS label or print or type See Specific Instructions

C Name of organization: **OPERATION NIGHTWATCH, INC**
 Number and street (or P O box if mail is not delivered to street address): **P.O. BOX 21181**
 Room/suite:
 City or town, state or country, and ZIP + 4: **SEATTLE, WA 98111**

D Employer identification number: **91-0964027**

E Telephone number: **(206) 323-4359**

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).

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: **▶**

G Website: **▶ N/A**

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.

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

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: **594,369.**

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	453,953.			
	b	Indirect public support	1b				
	c	Government contributions (grants)	1c	57,330.			
	d	Total (add lines 1a through 1c) (cash \$ 359,571. noncash \$ 151,712.)	1d		511,283.		
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2		70,793.		
	3	Membership dues and assessments	3				
	4	Interest on savings and temporary cash investments	4		443.		
	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: STMT 1)	7					
8a	Gross amount from sales of assets other than inventory	(A) Securities		(B) Other			
		11,850.	8a				
		11,909.	8b				
		<59.>	8c				
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d		<59.>			
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					
		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		582,460.			
13	Program services (from line 44, column (B))	13		438,919.			
14	Management and general (from line 44, column (C))	14		43,493.			
15	Fundraising (from line 44, column (D))	15		36,364.			
16	Payments to affiliates (attach schedule)	16					
17	Total expenses (add lines 16 and 44, column (A))	17		518,776.			
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18		63,684.			
19	Net assets or fund balances at beginning of year (from line 73, column (A))	19		802,644.			
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		866,328.			

22

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	79,394.	62,027.	12,446.	4,921.
26	Other salaries and wages	55,445.	43,316.	8,692.	3,437.
27	Pension plan contributions	1,839.	1,437.	288.	114.
28	Other employee benefits	11,506.	8,989.	1,804.	713.
29	Payroll taxes	12,516.	9,778.	1,962.	776.
30	Professional fundraising fees				
31	Accounting fees	13,087.	2,592.	10,335.	160.
32	Legal fees				
33	Supplies	7,455.	1,653.	3,754.	2,048.
34	Telephone	4,414.	3,197.	1,177.	40.
35	Postage and shipping	15,617.	379.	18.	15,220.
36	Occupancy				
37	Equipment rental and maintenance	7,684.	7,664.	20.	
38	Printing and publications				
39	Travel	11,997.	11,630.	69.	298.
40	Conferences, conventions, and meetings				
41	Interest				
42	Depreciation, depletion, etc (attach schedule)	27,194.	26,378.	816.	
43	Other expenses not covered above (itemize)				
a	_____				
b	_____				
c	_____				
d	_____				
e	SEE STATEMENT 2				
43e		270,628.	259,879.	2,112.	8,637.
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	518,776.	438,919.	43,493.	36,364.

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

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

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

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

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? <input type="checkbox"/>	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others)
SHELTERING THE HOMELESS & MINISTRY 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.)	
a PROVIDE DISPATCH CENTER TO LOCATE AVAILABLE SHELTER FOR THE HOMELESS AND PROVIDE SIMPLE MEALS, CLOTHING, BLANKETS, HYGIENE PRODUCTS, AND INFORMATION ON OTHER SERVICES. (Grants and allocations \$ _____)	262,301.
b PROVIDE MINISTRY ON THE STREET, IN CAFES AND BARS TO BRING GOD'S PRESENCE. SINCE ALL THE MINISTERS VOLUNTER THEIR TIME THE COST IS A MINOR PART OF THE BUDGET BUT A MAJOR SERVICE ACTIVITY. (Grants and allocations \$ _____)	37,137.
c SEE STATEMENT 3 (Grants and allocations \$ _____)	73,537.
d PROVIDE SENIOR HOUSING OF 23 SINGLE ROOM OCCUPANCY RENTAL UNITS FOR LOW-INCOME SENIORS AND PERMANENTLY DISABLED ADULTS. (Grants and allocations \$ _____)	65,944.
e Other program services (attach schedule) (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	438,919.

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	39,388.	45 112,587.
	46 Savings and temporary cash investments	130,650.	46 143,856.
	47 a Accounts receivable	47a 1,000.	
	b Less allowance for doubtful accounts	47b	47c 1,000.
	48 a Pledges receivable	48a	
	b Less allowance for doubtful accounts	48b	48c
	49 Grants receivable		49
	50 Receivables from officers, directors, trustees, and key employees		50
	51 a Other notes and loans receivable	51a	
	b Less allowance for doubtful accounts	51b	51c
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges		53 6,200.
	54 Investments - securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV	966.	54
	55 a Investments - land, buildings, and equipment basis	55a	
	b Less accumulated depreciation	55b	55c
56 Investments - other		56	
57 a Land, buildings, and equipment basis	57a 705,348.		
b Less accumulated depreciation	57b 91,547.	57c 613,801.	
58 Other assets (describe <input type="checkbox"/> DONATED ASSET)	636,478.	58 2,000.	
59 Total assets (add lines 45 through 58) (must equal line 74)	807,482.	59 879,444.	
Liabilities	60 Accounts payable and accrued expenses	4,278.	60 11,856.
	61 Grants payable		61
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees		63
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable		64b
	65 Other liabilities (describe <input type="checkbox"/> KEY DEPOSITS)	560.	65 1,260.
66 Total liabilities (add lines 60 through 65)	4,838.	66 13,116.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74		
	67 Unrestricted		67
	68 Temporarily restricted		68
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74		
	70 Capital stock, trust principal, or current funds	0.	70 0.
	71 Paid-in or capital surplus, or land, building, and equipment fund	0.	71 0.
	72 Retained earnings, endowment, accumulated income, or other funds	802,644.	72 866,328.
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)	802,644.	73 866,328.	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	807,482.	74 879,444.	

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 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		X
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		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		X
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?		X
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		
b	Did the organization file Form 1120-POL for this year?		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III)		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? 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 N/A		
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?		85g
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
86	501(c)(7) organizations. Enter 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. Enter 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		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.		
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		X
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 WASHINGTON		
b	Number of employees employed in the pay period that includes March 12, 2003	90b	12
91	The books are in care of ANN SAKAGUCHI Telephone no (206) 323-4359		
Located at P.O. BOX 21181, SEATTLE WA			
			ZIP + 4 98111
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 N/A		

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 RENTAL INCOME	531110				66,377.
b SEC 481 INCOME					4,416.
c					
d					
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	443.	
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					<59.>
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.		443.	70,734.
105 Total (add line 104, columns (B), (D), and (E))					71,177.

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)
93A	LOW INCOME STUDIO UNITS ARE RENTED TO HELP REDUCE HOMELESSNESS.
93B	SEC 481 INCOME FROM CHANGE OF ACCOUNTING METHOD.
100	CONVERSION OF DONATED SECURITIES TO CASH USABLE FOR EXEMPT PURPOSES.

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 with Personal Benefit Contracts (See page 34 of 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).*

I am preparing this return, and the accompanying schedules and statements, and to the best of my knowledge and belief, it is true, and all information of which preparer has any knowledge

Date: 2/26/04 Type or print name and title: Rick Reynolds Executive Director

Date: _____ Check if: _____ Preparer's SSN or PTIN: _____

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: **OPERATION NIGHTWATCH, INC** Employer identification number: **91 0964027**

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
NONE -----		

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)?		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)	471,356.	375,370.	310,239.	695,729.	1,852,694.
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	57,771.	50,792.	76,673.	13,346.	198,582.
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	2,444.	10,170.	14,878.	42,517.	70,009.
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			SEE STATEMENT 5 4,605.		4,605.
23 Total of lines 15 through 22	531,571.	436,332.	406,395.	751,592.	2,125,890.
24 Line 23 minus line 17	473,800.	385,540.	329,722.	738,246.	1,927,308.
25 Enter 1% of line 23	5,316.	4,363.	4,064.	7,516.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 38,546.
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 0.
c Total support for section 509(a)(1) test Enter line 24, column (e)					26c 1,927,308.
d Add Amounts from column (e) for lines 18 _____ 19 _____ 22 <u>70,009.</u> 26b <u>4,605.</u>					26d 74,614.
e Public support (line 26c minus line 26d total)					26e 1,852,694.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 96.1286%
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 N/A					
(2002) (2001) (2000) (1999)					
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 N/A					
(2002) (2001) (2000) (1999)					
c Add Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c N/A
d Add Line 27a total _____ and line 27b total _____					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %
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?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)		

33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)		

34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		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) 2003	(b) 2002	(c) 2001	(d) 2000	(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 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

FORM 990	GAIN (LOSS) FROM PUBLICLY TRADED SECURITIES			STATEMENT 1
DESCRIPTION	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	NET GAIN OR (LOSS)
SALES OF SECURITIES	11,850.	11,909.	0.	<59.>
TO FORM 990, PART I, LINE 8	11,850.	11,909.	0.	<59.>

FORM 990	OTHER EXPENSES			STATEMENT 2
DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
SHELTER	79,797.	79,797.		
FOOD AND OTHER	148,728.	148,405.	43.	280.
EVICITION SERVICES	1,101.	1,101.		
UTILITIES	21,189.	21,189.		
INSURANCE	6,911.	5,933.	978.	
MEALS AND EVENTS	7,502.	246.	384.	6,872.
TAXES, LICENSES & FEES	4,810.	2,618.	707.	1,485.
BAD DEBTS EXPENSE	590.	590.		
TOTAL TO FM 990, LN 43	270,628.	259,879.	2,112.	8,637.

FORM 990 STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS STATEMENT 3

DESCRIPTION OF PROGRAM SERVICE THREE

PROVIDE OVERNIGHT ACCOMMODATIONS, BLANKETS, CLOTHING AND TRANSPORTATION TO THE HOMELESS. BEDS FOR 75 SINGLE MEN ARE PROVIDED UNDER CONTRACT WITH ANOTHER AGENCY, AND FAMILIES ARE GIVEN HOTEL AND TRANSPORTATION VOUCHERS.

	GRANTS	EXPENSES
TO FORM 990, PART III, LINE C		73,537.

FORM 990 PART V - LIST OF OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES STATEMENT 4

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN-SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
RICHARD REYNOLDS PO BOX 21181 SEATTLE, WA 98111	EXECUTIVE DIRECTOR 40 HOURS/WEEK	46,230.	1,386.	0.
JOHANNA ARNOTT-GRAY 323 N 48TH STREET SEATTLE, WA 98103	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
CHARLEY BUSH 3617 E COLUMBIA ST. SEATTLE, WA 98122	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
LINDA BUSH 3617 E COLUMBIA ST. SEATTLE, WA 98122	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
PAT CHAMPION 5324 15TH AVE S SEATTLE, WA 98108-2341	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
HAL HANSEN 8831 42ND AVE SW SEATTLE, WA 98136-2520	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
MAJOR BROWN 13416 115TH AVE NE KIRKLAND, WA 98034	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.

OPERATION NIGHTWATCH, INC

91-0964027

MARK DUNTLEY 4147 14TH AVE S SEATTLE, WA 98108	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
HAL REEDER 1120 199TH SW LYNNWOOD, WA 98036	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
JIM SIMPKINS 2823 BROADWAY E SEATTLE, WA 98102-3935	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
DAVID TRAYLOR 330 NW 78TH ST SEATTLE, WA 98117-4013	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
DOREEN WISE 815 23RD AVE S APT A1 SEATTLE, WA 98144-3035	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
NORM RIGGIINS 2625 13TH AVE W APT 202 SEATTLE, WA 98119	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
ANN SAKAGUCHI (7/03 - PRESENT) PO BOX 21181 SEATTLE, WA 98111	DEPUTY DIRECTOR 40 HOURS/WEEK	15,141.	0.	0.
GARY LAZZERONI 170 MELROSE AVE E #503 SEATTLE, WA 98102	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
SHARON PITRE-WILLIAMS 910 MARION ST SEATTLE, WA 98104	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
DENNIS RICHTER 24906 SE 14TH ST SAMMAMISH, WA 98075	BOARD MEMBER 1 HOUR/WEEK	0.	0.	0.
KERRILYN VANDER HEYDEN (1/03 - 6/03) PO BOX 21181 SEATTLE, WA 98111	DEPUTY DIRECTOR 40 HOURS/WEEK	18,023.	453.	0.
TOTALS INCLUDED ON FORM 990, PART V		<u>79,394.</u>	<u>1,839.</u>	<u>0.</u>

SCHEDULE A	OTHER INCOME			STATEMENT 5
DESCRIPTION	2002 AMOUNT	2001 AMOUNT	2000 AMOUNT	1999 AMOUNT
MISCELLANEOUS	0.	0.	4,605.	0.
TOTAL TO SCHEDULE A, LINE 22	0.	0.	4,605.	0.

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

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											
1	Building	3/03/99	235,000.00	0.00	0.00	23,098.29	6,025.64	29,123.93	205,876.07	S/L	390
2	Land	3/03/99	160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00	Land	0.0
3	1999 Remodeling	6/30/99	78,921.44	0.00	0.00	18,415.00	5,261.43	23,676.43	55,245.01	S/L	15.0
5	2000 Remodeling	6/30/00	103,413.38	0.00	0.00	17,235.57	6,894.23	24,129.80	79,283.58	S/L	15.0
7	Roof Repair	1/08/01	31,633.01	0.00	0.00	4,217.74	2,108.87	6,326.61	25,306.40	S/L	15.0
8	Repairs 2002	3/15/02	5,908.38	0.00	0.00	328.24	393.89	722.13	5,186.25	S/L	15.0
9	Repairs 2002	12/31/02	82,219.12	0.00	0.00	0.00	5,481.27	5,481.27	76,737.85	S/L	15.0
13	Renovation 2002	3/27/03	430.50	0.00c	0.00	0.00	21.53	21.53	408.97	S/L	15.0
	Building		697,525.83	0.00c	0.00	63,294.84	26,186.86	89,481.70	608,044.13		
Group: Furniture & Equipment											
4	Furniture	6/30/99	1,303.20	0.00	0.00	651.60	186.17	837.77	465.43	S/L	7.0
6	Furniture	6/30/00	510.41	0.00	0.00	182.30	72.92	255.22	255.19	S/L	7.0
10	Furniture	5/22/02	1,922.50	0.00	0.00	224.29	384.50	608.79	1,313.71	S/L	5.0
11	Locks	8/05/03	2,353.84	0.00c	0.00	0.00	196.15	196.15	2,157.69	S/L	5.0
12	Beds & Frigerators	3/04/03	1,732.09	0.00c	0.00	0.00	206.20	206.20	1,525.89	S/L	7.0
	Furniture & Equipment		7,822.04	0.00c	0.00	1,058.19	1,045.94	2,104.13	5,717.91		
	Grand Total		705,347.87	0.00c	0.00	64,353.03	27,232.80	91,585.83	613,762.04		

Application for Change in Accounting Method

▶ See page 1 of the instructions for the Automatic Change Procedures.

Name of applicant (If a joint return is filed, also give spouse's name) OPERATION NIGHTWATCH	Identification number (See page 3 of the instructions) 91-0964027
Number, street, and room or suite no. (If a P.O. box see page 3 of the instructions) P.O. BOX 21181	Tax year of change begins (mo., day, yr.) and ends (mo., day, yr.) 1-1-2003 - 12-31-2003
City or town, state, and ZIP code SEATTLE, WA 98111	District director's office having jurisdiction
Name of person to contact (If not the applicant, a power of attorney must be submitted) ANN SAKAGUCHI	Contact person's telephone number/Fax number (206) 323-4359 / (206) 323-4165


Check the appropriate box to indicate who is filing this form. <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Qualified Personal Service Corporation (Sec. 448(d)(2)) <input checked="" type="checkbox"/> Exempt organization Enter code section ▶ 501 (c) 3	<input type="checkbox"/> Partnership <input type="checkbox"/> S Corporation <input type="checkbox"/> Insurance Co. (Sec. 816(a)) <input type="checkbox"/> Insurance Co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶ _____	Check the appropriate box to indicate the type of accounting method change being requested. (See page 3 of the instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ▶ OVERALL METHOD OF ACCOUNTING
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Part I Eligibility To Request Change (All applicants complete Parts I through IV) (See page 2 of the instructions)

	Yes	No
1 Is the applicant changing its method of accounting under a revenue procedure or other published guidance that provides for an automatic change? (See page 1 of the instructions) If "Yes," enter the citation of the revenue procedure or other published guidance ▶ <u>REV. PROC. 99-49</u>	X	
2 Is the applicant changing its method of accounting under sections 263A, 447, 448, 460, or 585(c) for the first tax year the applicant is required to change? If "Yes," the applicant is required to make the change in accounting method under the automatic change procedures set forth in the applicable regulations		X
3a Does the applicant have any Federal income tax returns under examination by the IRS? See section 3.07 of Rev Proc 97-27, 1997-1 C.B. 680 If "Yes," complete line 3b		X
b Is the method of accounting the applicant is requesting to change (i) an issue under consideration or (ii) an issue placed in suspense by the examining agent(s)? See sections 3.08(1) and 6.01 of Rev Proc 97-27 If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 3c through 3e	N/A	
c Indicate the "window period" the applicant is filing under or state if the change is being requested with the consent of the district director ▶ <u>N/A</u> See section 6.01 of Rev Proc 97-27		
d Has a copy of this Form 3115 been provided to the examining agent(s) for all examinations that are in process? See section 6.01 of Rev Proc 97-27		
e Enter the name(s) and telephone number(s) of the examining agent(s) ▶ <u>N/A</u> See section 6.01 of Rev Proc 97-27		
4a Is the applicant before an appeals office with respect to any Federal income tax return issue? If "Yes," complete line 4b		X
b Is the method of accounting the applicant is requesting to change an issue under consideration by the appeals office? See sections 3.08(2) and 6.02 of Rev. Proc. 97-27 If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 4c and 4d	N/A	
c Has a copy of this Form 3115 been provided to the appeals officer? See section 6.02 of Rev Proc 97-27	N/A	
d Enter the name and telephone number of the appeals officer ▶ <u>N/A</u> See section 6.02 of Rev Proc 97-27		

Signature — All Applicants (See page 3 of the instructions.)

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

 Applicant
 Officer's signature and date 2/26/04
RICK RENOLDS, EXECUTIVE DIRECTOR
 Name and title (print or type)
 Signature(s) of individual for firm preparing the application and date CPA 2-23-2004

Parent corporation (if applicable)
 Parent officer's signature and date _____
 Name and title (print or type)
FINNEY, NEILL & COMPANY, P.S.
 Name of firm preparing the application

Part I Eligibility To Request Change (continued)

	Yes	No
5a Is the applicant before a Federal court with respect to any Federal income tax issue? If "Yes," complete line 5b		X
b Is the method of accounting the applicant is requesting to change an issue under consideration by the Federal court? See sections 3 08(3) and 6 03 of Rev Proc 97-27 If "Yes," the applicant is not eligible to request the change in accounting method If "No," complete line 5c and 5d	N/A	
c Has a copy of this Form 3115 been provided to the counsel for the government? See section 6 03 of Rev Proc 97-27	N/A	
d Enter the name and telephone number of the counsel for the government ▶ <u>N/A</u> See section 6 03 of Rev Proc 97-27		X
6a Is the applicant a member of an affiliated group filing a consolidated return for the year of change?		X
b If "Yes," attach a statement listing the parent corporation's (1) name, (2) identification number, (3) address, and (4) tax year	N/A	
c Has the applicant ever been a member of a consolidated group other than the current group? If "Yes," complete line 6b for each group of which the applicant was formerly a member		
d If the applicant is (or was formerly) a member of a consolidated group, is any consolidated group under examination, before an appeals office, or before a Federal court for a tax year(s) that the applicant was a member of the group? See sections 3 07(1) and 4 02(5) of Rev Proc 97-27 If "Yes," complete lines 3b through 3e, 4b through 4d, or 5b through 5d (whichever are applicable)	N/A	
7 If the applicant is an entity (including a limited liability company) treated as a partnership or an S corporation for Federal income tax purposes, is the method of accounting the applicant is requesting to change an issue under consideration in an examination of a partner, member, or shareholder's Federal income tax return or an issue under consideration by an appeals office or by a Federal court with respect to a partner, member, or shareholder's Federal income tax return? See sections 3 08 and 4 02(6) of Rev Proc 97-27 If "Yes," the applicant is not eligible to request the change in accounting method	N/A	

Part II Description of Change

8 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting Also complete Schedule A on page 4 of the form Present method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) Proposed method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)	X	
9 If the applicant is not changing its overall method of accounting, attach a description of each of the following a The item being changed b The applicant's present method for the item being changed c The applicant's proposed method for the item being changed d The applicant's present overall method of accounting (cash, accrual, or hybrid)		
10 Attach an explanation of the legal basis supporting the proposed method for the item being changed Include all authority (statutes, regulations, published rulings, court cases, etc) supporting the proposed method The applicant is encouraged to include a discussion of any authorities that may be contrary to the proposed method		
11 Attach a description of the applicant's trade or business, including the goods and services it provides and any other types of activities it engages in that generate gross income		
12 Attach a copy of all documents directly related to the proposed change (See page 3 of the instructions)		
13 Attach a statement of the applicant's reasons for the proposed change		
14a Attach an explanation of whether the proposed method of accounting will be used for the taxpayer's books and records and financial statements (Insurance companies, see page 3 of the instructions) b Attach an explanation of whether the proposed method of accounting conforms to generally accepted accounting principles (GAAP) and to the best accounting practice in the applicant's trade or business		
15a Does the applicant have more than one trade or business as defined in Regulations section 1 446-1(d)? b If "Yes," is each trade or business accounted for separately? If "Yes," for each trade or business, attach a description of the type of business, the overall method of accounting, whether the business has changed any accounting method in the past 4 years, and whether the business is changing any accounting method as part of this application or as a separate application		X
16 If the applicant is a member of an affiliated group filing a consolidated return for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation	N/A	
17 If the applicant is changing to the cash method, or to the inventory price index computation (IPIC) method under Regulations section 1 472-8(e)(3), or is changing its method of accounting under sections 263A, 448, or 460, enter the gross receipts for the 4 tax years preceding the year of change (See page 3 of the instructions)		
1st preceding year ended mo yr		
2nd preceding year ended mo yr		
3rd preceding year ended mo yr		
4th preceding year ended mo yr		
\$	N/A	\$
\$		\$

Part II	Description of Change (continued)
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18 Attach a statement addressing whether the applicant has entered (or is considering entering) into a transaction to which section 381(c)(4) or (c)(5) applies (e.g., a reorganization or merger) during the tax year of change determined without regard to any (potential) closing of the year under section 381(b)(1). Also include in the statement an explanation of any changes in method of accounting that resulted (or will result) from the transaction(s)

Part III	Section 481(a) Adjustment
-----------------	----------------------------------

	Yes	No
19 Enter the net section 481(a) adjustment for the year of change. Indicate whether the adjustment is an increase (+) or a decrease (-) in income ▶ \$(+) 4,416		X
20 Has the section 481(a) adjustment been reduced by a pre-1954 amount?		X
21a If the section 481(a) adjustment is less than \$25,000 (positive or negative), does the applicant elect to take the entire amount of the adjustment into account in the year of change?	X	
b If "No," (or if the applicant declines to elect to take the entire amount of the adjustment into account in the year of change), enter the applicable period over which the applicant proposes to take the adjustment into account ▶ N/A		
22 Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a controlled group, or other related parties? If "Yes," attach an explanation		X

Part IV	Additional Information
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	Yes	No
23 Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in accounting method or accounting period in the past 4 years? If "Yes," attach a description of each change and the year of change. If the application was withdrawn, not perfected, or denied, or if a Consent Agreement was sent to the taxpayer but was not signed and returned to the IRS, or if the change was not made, include an explanation		X
24 Does the applicant, its predecessor, or a related party currently have pending any request for a private letter ruling, a request for change in accounting method or accounting period, or a request for technical advice? If "Yes," for each request, indicate the name(s) of the taxpayer, the type of request (private letter ruling, request for change in accounting method or accounting period, or request for technical advice), and the specific issue in the request		X
25 Has the applicant attached Form 2848 , Power of Attorney and Declaration of Representative? (See the instructions for line 25 and "Person To Contact" on page 3 of the instructions)	X	
26 Does the applicant request a conference of right at the IRS National Office if the IRS proposes an adverse response?		X
27 Enter the amount of user fee attached to this application ▶ \$ <u>NONE REQUIRED</u> (See page 2 of the instructions.)		
28 If the applicant qualifies for a reduced user fee for identical accounting method changes, has the information required by section 15.07 of Rev Proc 99-1, 1999-1 I R B 6, been attached?		N/A

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

Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

Part I Change in Overall Method (See page 3 of the instructions)

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

- a Income accrued but not received
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method. (See page 3 of the instructions.)
- c Expenses accrued but not paid
- d Prepaid expense previously deducted
- e Supplies on hand previously deducted
- f Inventory on hand previously deducted. Complete Schedule C, Part II.
- g Other amounts (specify) ▶ _____
- h **Net section 481(a) adjustment** (Add lines 1a - 1g.) (See page 3 of the instructions.)

Amount
\$ 4,662
(6,446)
6,200
\$ 4,416.00

2 Is the applicant also requesting the recurring item exception (section 461(h))? (See page 4 of the instructions.) Yes No

Part II Change to the Cash Method (See page 4 of the instructions.)

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

- 1 A description of the applicant's investment in capital items and leased equipment used in the trade or business, and the relationship between these items and the services performed by the business.
- 2 A description of inventory items (items that produce income when sold) and materials and supplies used in carrying out the business.
- 3 The number of employees, shareholders, partners, associates, etc., and a description of their duties in carrying out the applicant's business.
- 4 A schedule showing the age of receivables for each of the 4 tax years preceding the year of change.
- 5 A schedule showing the applicant's taxable income (loss) for each of the 4 tax years preceding the year of change.
- 6 A profit and loss statement showing the taxable income (loss) based on the cash method for each of the 4 tax years preceding the year of change.

Schedule B — Changes Within the LIFO Inventory Method (See page 4 of the instructions)**Part I** **General LIFO Information**

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

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

Part II **Change in Pooling Inventories**

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

Part III **Change to Inventory Price Index Computation (IPIC) Method** (See page 4 of the instructions)

If changing to the IPIC method, attach the following items:

- 1 A completed Form 970.
- 2 A statement indicating which indexes, tables, and categories the applicant proposes to use.

Schedule C — Change in the Treatment of Long-Term Contracts, Inventories, or Other Section 263A Assets

Part I Change in Reporting Income From Long-Term Contracts (Complete Part I and Part III below See page 4 of the instructions)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income from long-term contracts If the applicant is a construction contractor, include a description of its construction activities
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1)? (See page 4 of the instructions) Yes No
- b If "Yes," do all the contracts qualify for the exception under section 460(e)? (See page 4 of the instructions) Yes No
If line 2b is "No," attach an explanation
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No
- b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts
- c If any of the manufacturing goods are sold or distributed without installation, attach an explanation
- 4 If the applicant is requesting to use the percentage of completion method under section 460(b) for reporting its long-term contract income, indicate whether the applicant is electing to determine the completion factor for each long-term contract under the simplified cost-to-cost method (See page 4 of the instructions)
- 5 Does the applicant want to change the accounting method for all long-term contracts that were outstanding at the beginning of the year of change? Yes No
If "No," attach an explanation
- 6 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts

Part II Change in Valuing Inventories (Complete Part III if applicable See page 4 of the instructions)

- 1 Attach a description of the inventory goods being changed
- 2 Attach a description of the inventory goods (if any) NOT being changed
- 3 Is the applicant's present inventory valuation method in compliance with section 263A? (See page 4 of the instructions) Yes No

4a Check the appropriate boxes below that identify the present and proposed inventory identification methods and valuation methods being changed and the present inventory identification methods and valuation methods not being changed

Identification methods

- Specific identification
- FIFO
- LIFO

Valuation methods.

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

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

- b Enter the value at the end of the tax year preceding the year of change
- 5 Attach the computation used to determine the section 481(a) adjustment If the section 481(a) adjustment is based on more than one component, show the computation for each component
- 6 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (See page 4 of the instructions)
 - a Copies of Form(s) 970 filed to adopt or expand the use of the method
 - b A statement describing how the proposed method is consistent with the requirements of Regulations section 1.472-6

Part III Method of Cost Allocation (See page 4 of the instructions)

Complete this part if the requested change involves either property subject to section 263A or long-term contracts subject to section 460 Check the appropriate boxes in Sections B and C showing which costs, under both the present and proposed methods, are fully included, to the extent required, in the cost of property produced or acquired for resale under section 263A or allocated to long-term contracts under section 460 If a box is not checked, it is assumed that those costs are not fully included to the extent required If a cost is not fully included, attach an explanation Mark "N/A" in a box if those costs are not incurred by the applicant with respect to its production, resale, or long-term contract activities

Section A — Allocation and Capitalization Methods (Schedule C, Part III continued) (See page 4 of the instructions.)

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

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

Section B — Direct and Indirect Costs Required To Be Allocated (See Regulations under sections 263A and 451)

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

Section C — Other Costs Not Required To Be Allocated

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

Schedule D — Change in Reporting Advance Payments and Depreciation/Amortization

Part I Change in Reporting Advance Payments (See page 4 of the instructions)

- 1 If the applicant is requesting to defer advance payment for services under Rev Proc 71-21, 1971-2 C B 549, attach the following information
 - a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services
 - b If any parts or materials are provided, explain how the parts or materials relate to the services provided and provide the cost of such parts or materials as an absolute number and a percentage of the contract price
 - c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement
 - d A description of the method the applicant will use to determine the amount of income earned each year on contingent contracts and why that method clearly reflects income earned and related expenses in each year
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information
 - a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items
 - b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities)

Part II Change in Depreciation or Amortization (See page 4 of the instructions)

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

Note: If the property has been disposed of before the beginning of the year of change, a method change is not permitted for that property. See **Automatic Change Procedures** on page 1 of the instructions for information regarding automatic changes under sections 167, 168, and 197. Also see **When Not To File Form 3115** on page 4 of the instructions for information concerning retroactive elections and election revocations.

- 1 Is depreciation for the property figured under Regulations section 1.167(a)-11 (CLADR)? Yes No
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? Yes No
If "Yes," enter the applicable section ► _____
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))?. Yes No
If "Yes," state the election made ► _____
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
 - b If the property is residential rental property, did the applicant live in the property before renting it? Yes No
 - c Is the property public utility property? Yes No
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.)
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods
 - a The Code section under which the property is depreciated or amortized (e.g., section 168(g))
 - b If the property is depreciated under section 168, identify the applicable asset class in Rev. Proc. 87-56, 1987-2 C B 674 (if none, state so and explain why). Also provide the facts supporting the asset class under the proposed method.
 - c The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1))
 - d The useful life, recovery period, or amortization period of the property
 - e The applicable convention of the property