

Return of Organization Exempt From Income Tax

2004

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 2004 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 PHOCIS, INC.		D Employer identification number 93-0908525
		Number and street (or P O box if mail is not delivered to street address) Room/suite 20950 S.W. ROCK CREEK ROAD	E Telephone number (503) 843-1356	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: _____

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.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **3,456,566.**

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

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

Revenue	1 Contributions, gifts, grants, and similar amounts received:				
	a Direct public support	1a	5,000.		
	b Indirect public support	1b			
	c Government contributions (grants)	1c			
	d Total (add lines 1a through 1c) (cash \$ 5,000. noncash \$ _____)	1d		5,000.	
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		1,900,525.	
	3 Membership dues and assessments	3			
	4 Interest on savings and temporary cash investments	4		42,923.	
	5 Dividends and interest from securities	5		14,893.	
	6 a 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				
8 a Gross amount from sales of assets other than inventory	(A) Securities	8a	1,493,225.		
	(B) Other	8b	1,422,974.		
		8c	70,251.		
	d Net gain or (loss) (combine line 8c, columns (A) and (B)) STMT 1	8d		70,251.	
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			
10 a Gross sales of inventory, less returns and allowances	10a				
	b Less: cost of goods sold	10b			
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c				
11 Other revenue (from Part VII, line 93)	11				
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12		2,033,592.		
Expenses	13 Program services (from line 11, column (B))	13	1,702,242.		
	14 Management and general (from line 44, column (C))	14	147,871.		
	15 Fundraising (from line 44, column (B))	15			
	16 Payments to affiliates (attach schedule)	16			
	17 Total expenses (add lines 13 and 14, column (A))	17		1,850,113.	
18 Excess or (deficit) for the year (subtract line 17 from line 12)	18		183,479.		
Net Assets	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	8,692,421.		
	20 Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 2	20	159,590.		
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	9,035,490.		

SCANNED JUN 26 2005

RECEIVED
 MAY 16 2005
 OGDEN UT

Part II Statement of Functional Expenses

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

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ 154729 . noncash \$ 506976 .)	661,705.	661,705.	STATEMENT 6	STATEMENT 7
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc	111,878.	100,690.	11,188.	0.
26	Other salaries and wages				
27	Pension plan contributions	52,074.	46,867.	5,207.	
28	Other employee benefits	18,335.	16,501.	1,834.	
29	Payroll taxes	6,123.	5,510.	613.	
30	Professional fundraising fees				
31	Accounting fees	16,000.		16,000.	
32	Legal fees	84,414.		84,414.	
33	Supplies	3,940.	411.	3,529.	
34	Telephone	1,775.	1,598.	177.	
35	Postage and shipping				
36	Occupancy				
37	Equipment rental and maintenance				
38	Printing and publications				
39	Travel	13,054.	11,749.	1,305.	
40	Conferences, conventions, and meetings				
41	Interest	496,735.	496,735.		
42	Depreciation, depletion, etc. (attach schedule)	352,234.	352,234.		
43	Other expenses not covered above (itemize)				
a					
b					
c					
d					
e	SEE STATEMENT 3	31,846.	8,242.	23,604.	
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	1,850,113.	1,702,242.	147,871.	0.

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 4**

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others)		Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)	
a	SEE STATEMENT 5		
	(Grants and allocations \$ 964,151.)		1,702,242.
b			
	(Grants and allocations \$)		
c			
	(Grants and allocations \$)		
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)		1,702,242.

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	65,161.	16,975.
	46 Savings and temporary cash investments	512,981.	453,943.
	47 a Accounts receivable	61,889.	
	b Less: allowance for doubtful accounts		61,889.
	48 a Pledges receivable		
	b Less: allowance for doubtful accounts		
	49 Grants receivable		
	50 Receivables from officers, directors, trustees, and key employees		
	51 a Other notes and loans receivable		
	b Less: allowance for doubtful accounts		
	52 Inventories for sale or use		
	53 Prepaid expenses and deferred charges		
	54 Investments - securities STMT 8 STMT 11 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	2,088,016.	2,130,095.
	55 a Investments - land, buildings, and equipment: basis		
	b Less: accumulated depreciation		
56 Investments - other			
57 a Land, buildings, and equipment: basis	16,316,324.		
b Less: accumulated depreciation	2,781,110.	13,535,214.	
58 Other assets (describe SEE STATEMENT 9)	335,125.	104,964.	
59 Total assets (add lines 45 through 58) (must equal line 74)	16,226,641.	16,303,080.	
Liabilities	60 Accounts payable and accrued expenses	404,545.	267,482.
	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 STMT 10	7,129,675.	7,000,108.
	65 Other liabilities (describe)		
66 Total liabilities (add lines 60 through 65)	7,534,220.	7,267,590.	
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	6,829,113.	6,881,661.
	68 Temporarily restricted	293,286.	482,615.
	69 Permanently restricted	1,570,022.	1,671,214.
	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)	8,692,421.	9,035,490.	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	16,226,641.	16,303,080.	

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	
a Total revenue, gains, and other support per audited financial statements	a 2,193,182.
b Amounts included on line a but not on line 12, Form 990:	
(1) Net unrealized gains on investments \$	
(2) Donated services and use of facilities \$	
(3) Recoveries of prior year grants \$	
(4) Other (specify): STMT 12 \$ 159,590.	
Add amounts on lines (1) through (4)	b 159,590.
c Line a minus line b	c 2,033,592.
d Amounts included on line 12, Form 990 but not on line a:	
(1) Investment expenses not included on line 6b, Form 990 \$	
(2) Other (specify): \$	
Add amounts on lines (1) and (2)	d 0.
e Total revenue per line 12, Form 990 (line c plus line d)	e 2,033,592.

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return	
a Total expenses and losses per audited financial statements	a 1,850,113.
b Amounts included on line a but not on line 17, Form 990:	
(1) Donated services and use of facilities \$	
(2) Prior year adjustments reported on line 20, Form 990 \$	
(3) Losses reported on line 20, Form 990 \$	
(4) Other (specify): \$	
Add amounts on lines (1) through (4)	b 0.
c Line a minus line b	c 1,850,113.
d Amounts included on line 17, Form 990 but not on line a:	
(1) Investment expenses not included on line 6b, Form 990 \$	
(2) Other (specify): \$	
Add amounts on lines (1) and (2)	d 0.
e Total expenses per line 17, Form 990 (line c plus line d)	e 1,850,113.

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
E. RAY PHELPS 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIR/PRESIDENT 45	87,900.	48,443.	0.
CHRISTINE J. PERPELITT 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIR/SEC-TREAS 35	23,978.	15,181.	0.
MARK I. SIEGEL 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIRECTOR 0	0.	0.	0.

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

Table with columns for question number, question text, and Yes/No columns. Includes questions 76 through 91 regarding organizational activities, financials, and compliance.

Located at 20950 S.W. ROCK CREEK ROAD, SHERIDAN, OR ZIP +4 97378

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

Table with 5 columns: (A) Business code, (B) Amount, (C) Exclusion code, (D) Amount, (E) Related or exempt function income. Rows include 93 Program service revenue, 94 Membership dues and assessments, 95 Interest on savings and temporary cash investments, 96 Dividends and interest from securities, 97 Net rental income or (loss) from real estate, 98 Net rental income or (loss) from personal property, 99 Other investment income, 100 Gain or (loss) from sales of assets, 101 Net income or (loss) from special events, 102 Gross profit or (loss) from sales of inventory, 103 Other revenue, 104 Subtotal, 105 Total.

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)

Table with 2 columns: 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.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

Table with 5 columns: (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.

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

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

Signature and information section including: Signature of officer (Christine Perpelitt), Date (5/12/05), Type or print name and title (Christine Perpelitt, Sec/Treas), Preparer's signature (Patricia J. Schmitt), Date (5/11/05), Firm's name (PERKINS & COMPANY, P.C.), Address (1211 SW FIFTH AVE., SUITE 1000, PORTLAND, OR 97204-3712), Phone no (503) 221-0336.

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

2004

Name of the organization

PHOCIS, INC.

Employer identification number

93 0908525

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
ROBERT G. BURT, P.C. 1515 SW FIFTH AVE, SUITE 600, PORTLAND, OR 97201	LEGAL SERVICES	277,935.
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.) SEE STATEMENT 13		
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 a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

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

The organization is not a private foundation because it is (Please check only ONE applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school Section 170(b)(1)(A)(ii). (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ► _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above, or (2) 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
DELPHI SCHOOLS, INC. E.I.N. 93-0630376	6
DELPHI ACADEMY OF BOSTON, INC. E.I.N. 04-2699036	6

14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 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. **N/A**
 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) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)					
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					
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					
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	0.	0.	0.	0.	0.
24 Line 23 minus line 17					
25 Enter 1% of line 23					

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 2000 through 2003 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts	▶	26b	N/A
c Total support for section 509(a)(1) test. Enter line 24, column (e)	▶	26c	N/A
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____	▶	26d	N/A
e Public support (line 26c minus line 26d total)	▶	26e	N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))	▶	26f	N/A %

27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year. (2003) ... (2002) ... (2001) ... (2000) ...			
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. (2003) ... (2002) ... (2001) ... (2000) ...			
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 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

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

N/A

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

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain (If you need more space, attach a separate statement)		
<hr/> <hr/> <hr/>			
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)	32d	
<hr/> <hr/> <hr/>			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)	33h	
<hr/> <hr/> <hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

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

N/A

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

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

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36		
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37		
38 Total lobbying expenditures (add lines 36 and 37)	38		
39 Other exempt purpose expenditures	39		
40 Total exempt purpose expenditures (add lines 38 and 39)	40		
41 Lobbying nontaxable amount. Enter the amount from the following table -			
If the amount on line 40 is -	The lobbying nontaxable amount is -		
Not over \$500,000	20% of the amount on line 40		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	41	
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		
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) 2004	(b) 2003	(c) 2002	(d) 2001	(a) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

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

N/A

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

- 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.)

Yes	No	Amount
		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 11 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.

Table with columns: Yes, No. Rows: 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), c. All 'No' cells contain an 'X'.

N/A

Table with 4 columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. The table is currently empty.

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 [X]

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

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. The table is currently empty.

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)
PUBLICLY TRADED SECURITIES - UNRESTRICTED	398,927.	398,927.	0.	0.
PUBLICLY TRADED SECURITIES - RESTRICTED	1,094,298.	1,024,047.	0.	70,251.
TOTAL TO FORM 990, PART I, LINE 8	1,493,225.	1,422,974.	0.	70,251.

FORM 990 OTHER CHANGES IN NET ASSETS OR FUND BALANCES STATEMENT 2

DESCRIPTION	AMOUNT
UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS	131,257.
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE	23,078.
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE	5,255.
TOTAL TO FORM 990, PART I, LINE 20	159,590.

FORM 990 OTHER EXPENSES STATEMENT 3

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
BANK CHARGES	615.	123.	492.	
BUILDING MAINTENANCE	166.	166.		
ANNUAL REPORT FEE	563.		563.	
DUES & SUBSCRIPTIONS	169.	169.		
AMORTIZATION	7,784.	7,784.		
INVESTMENT MGMT FEE	22,549.		22,549.	
TOTAL TO FM 990, LN 43	31,846.	8,242.	23,604.	

FORM 990 STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE STATEMENT 4
 PART III

EXPLANATION

PHOCIS, INC., IS AN OREGON NONPROFIT CORPORATION, ORGANIZED EXCLUSIVELY FOR EDUCATIONAL AND CHARITABLE PURPOSES. IT IS EXEMPT FROM TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986. PHOCIS, INC., OPERATES AS A SUPPORTING ORGANIZATION FOR THE BENEFIT OF, TO PERFORM THE FUNCTIONS OF, OR TO CARRY OUT THE EXEMPT PURPOSES OF ITS TWO SUPPORTED ORGANIZATIONS (DELPHI SCHOOLS, INC. (AN OREGON NONPROFIT CORPORATION), AND DELPHI ACADEMY OF BOSTON, INC. (A MASSACHUSETTS NONPROFIT CORPORATION)) -- BOTH OF WHICH ARE THEMSELVES ORGANIZED EXCLUSIVELY FOR EDUCATIONAL AND CHARITABLE PURPOSES, AND ARE EXEMPT FROM TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986.

FORM 990 STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS STATEMENT 5

DESCRIPTION OF PROGRAM SERVICE ONE

PHOCIS, INC., IS AN OREGON NONPROFIT CORPORATION, ORGANIZED EXCLUSIVELY FOR EDUCATIONAL AND CHARITABLE PURPOSES. IT IS EXEMPT FROM TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986. PHOCIS, INC., OPERATES AS A SUPPORTING ORGANIZATION FOR THE BENEFIT OF, TO PERFORM THE FUNCTIONS OF, OR TO CARRY OUT THE EXEMPT PURPOSES OF ITS TWO SUPPORTED ORGANIZATIONS (DELPHI SCHOOLS, INC. (AN OREGON NONPROFIT CORPORATION), AND DELPHI ACADEMY OF BOSTON, INC. (A MASSACHUSETTS NONPROFIT CORPORATION)) -- BOTH OF WHICH ARE THEMSELVES ORGANIZED EXCLUSIVELY FOR EDUCATIONAL AND CHARITABLE PURPOSES, AND ARE EXEMPT FROM TAX UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986. DELPHI SCHOOLS, INC, DEVELOPS, OPERATES, AND/OR ADVISES PRIVATE NON-SECTARIAN SCHOOLS OWNED BY DELPHI SCHOOLS, INC., OR BY OTHER EDUCATIONAL AND CHARITABLE NONPROFIT SCHOOLS EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986, IN CONJUNCTION WITH DELPHI SCHOOLS, INC.'S: (1) EDUCATIONAL CURRICULUM, SYLLABI, AND SUPPORTING IMPLEMENTATION ADVISE FOR THE EDUCATION OF STUDENTS IN PRESCHOOL/KINDERGARTEN THROUGH HIGH SCHOOL AND BEYOND (COLLECTIVELY "NORTHWEST RESEARCH PROPERTY"); (2) EDUCATIONAL PUBLICATIONS (COLLECTIVELY "HERON BOOKS MATERIALS"); AND (3) DELPHI TRADEMARKS AND SERVICEMARKS (COLLECTIVELY "DELPHI MASTER MARKS") -- COLLECTIVELY REFERRED TO AS THE "DELPHI PROGRAM." DELPHI SCHOOLS, INC.,

CURRENTLY OWNS FOUR SUCH SCHOOLS (A BOARDING SCHOOL IN SHERIDAN, OREGON ("THE DELPHIAN SCHOOL"), A DAY SCHOOL IN LOS ANGELES, CALIFORNIA ("THE DELPHI ACADEMY OF LOS ANGELES"), A DAY SCHOOL IN SANTA MONICA, CALIFORNIA ("THE DELPHI ACADEMY OF SANTA MONICA"), AND A DAY SCHOOL IN SANTA CLARA, CALIFORNIA ("THE DELPHI ACADEMY OF SAN FRANCISCO BAY")), AND CONTRACTS WITH FOUR OTHER EDUCATIONAL AND CHARITABLE NONPROFIT SCHOOLS EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986 (A DAY SCHOOL IN MILTON, MASSACHUSETTS ("THE DELPHI ACADEMY OF BOSTON"), A DAY SCHOOL IN CLEARWATER, FLORIDA ("THE DELPHI ACADEMY OF FLORIDA"), A DAY SCHOOL IN SAN DIEGO, CALIFORNIA ("THE DELPHI ACADEMY OF SAN DIEGO"), AND A DAY SCHOOL IN SAN MARCOS, CALIFORNIA ("THE DELPHI ACADEMY OF SAN MARCOS")).

DELPHI ACADEMY OF BOSTON, INC., OWNS AND OPERATES "THE DELPHI ACADEMY OF BOSTON" IN MILTON, MASSACHUSETTS.

IN FULFILLING ITS EXEMPT PURPOSE DURING 2004, PHOCIS, INC., PROVIDED ITS SUPPORTED ORGANIZATIONS WITH: (1) CASH GRANTS; (2) USE OF THE DELPHI MASTER MARKS; (3) ACCESS TO ADMINISTRATIVE SERVICES; (4) FUNDING FOR LEGAL SERVICES, AND (5) LEASED SCHOOL FACILITIES AT LESS-THAN-THEIR-MARKET LEASE RATES.

TO FULFILL ITS EXEMPT PURPOSE IN THE FUTURE, PHOCIS WILL CONTINUE PROVIDING CASH GRANTS, USE OF ITS DELPHI MASTER MARKS, FUNDING FOR LEGAL SERVICES, AND LEASED SCHOOL FACILITIES AT LESS-THAN-THEIR-MARKET LEASE RATES.

	<u>GRANTS</u>	<u>EXPENSES</u>
TO FORM 990, PART III, LINE A	964,151.	1,702,242.

FORM 990	CASH GRANTS AND ALLOCATIONS	STATEMENT	6
----------	-----------------------------	-----------	---

<u>CLASSIFICATION</u>	<u>DONEE'S NAME</u>	<u>DONEE'S ADDRESS</u>	<u>DONEE'S RELATIONSHIP</u>	<u>AMOUNT</u>
PROGRAM SERVICES	DELPHI SCHOOLS, INC.	20950 SW ROCK CREEK ROAD, SHERIDAN, OR	N/A	154,729.
TOTAL INCLUDED ON FORM 990, PART II, LINE 22				<u>154,729.</u>

FORM 990

NONCASH GRANTS AND ALLOCATIONS

STATEMENT

7

<u>CLASS OF ACTIVITY</u>	<u>DONEE'S NAME</u>	<u>DONEE'S ADDRESS</u>
PROGRAM SERVICES	DELPHI SCHOOLS, INC.	20950 SW ROCK CREEK ROAD, SHERIDAN, OR 97378

<u>RELATIONSHIP OF DONEE</u>	<u>DESCRIPTION OF PROPERTY</u>	<u>DATE OF GIFT</u>
N/A	RENT REDUCTION	VARIOUS

METHOD USED TO DETERMINE BOOK VALUE

<u>METHOD USED TO DETERMINE FAIR MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>AMOUNT GIVEN</u>
	0.	471,876.

<u>CLASS OF ACTIVITY</u>	<u>DONEE'S NAME</u>	<u>DONEE'S ADDRESS</u>
PROGRAM SERVICES	DELPHI ACADEMY OF BOSTON, INC.	564 BLUE HILL AVENUE, MILTON, MA 02186

<u>RELATIONSHIP OF DONEE</u>	<u>DESCRIPTION OF PROPERTY</u>	<u>DATE OF GIFT</u>
N/A	RENT REDUCTION	VARIOUS

METHOD USED TO DETERMINE BOOK VALUE

<u>METHOD USED TO DETERMINE FAIR MARKET VALUE</u>	<u>BOOK VALUE</u>	<u>AMOUNT GIVEN</u>
	0.	35,100.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22	506,976.
--	----------

FORM 990 NON-GOVERNMENT SECURITIES STATEMENT 8

SECURITY DESCRIPTION	COST/FMV	CORPORATE STOCKS	CORPORATE BONDS	OTHER PUBLICLY TRADED SECURITIES	TOTAL NON-GOV'T SECURITIES
EQUITY SECURITIES	FMV	795,956.			795,956.
CORPORATE DEBT SECURITIES	FMV		163,615.		163,615.
TO FORM 990, LINE 54, COL B		795,956.	163,615.		959,571.

FORM 990 OTHER ASSETS STATEMENT 9

DESCRIPTION	AMOUNT
LOAN COSTS	88,218.
LESS: ACCUMULATED AMORTIZATION	<23,352.>
OTHER ASSETS	40,098.
TOTAL TO FORM 990, PART IV, LINE 58, COLUMN B	104,964.

FORM 990 MORTGAGES PAYABLE STATEMENT 10

DESCRIPTION	BALANCE DUE
SOVEREIGN BANK	412,415.
SOVEREIGN BANK	166,101.
KEY BANK	657,479.
KEY BANK	5,764,113.
TOTAL INCLUDED ON FORM 990, PART IV, LINE 64B, COLUMN B	7,000,108.

FORM 990	OTHER SECURITIES	STATEMENT	11
SECURITY DESCRIPTION	COST/FMV	OTHER SECURITIES	
MUTUAL FUNDS	FMV	647,886.	
GOVERNMENT SECURITIES	FMV	522,638.	
TO FORM 990, LINE 54, COL B		1,170,524.	

FORM 990	OTHER REVENUE NOT INCLUDED ON FORM 990	STATEMENT	12
DESCRIPTION		AMOUNT	
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE - UNRESTRICTED		5,255.	
UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS - UNRESTRICTED		131,257.	
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE - PERMANE. RESTRICTED		23,078.	
TOTAL TO FORM 990, PART IV-A		159,590.	

SCHEDULE A	STATEMENT REGARDING ACTIVITIES WITH SUBSTANTIAL CONTRIBUTORS, TRUSTEES, DIRECTORS, CREATORS, KEY EMPLOYEES, ETC., PART III, LINE 2	STATEMENT	13
------------	--	-----------	----

LINE 2C-
 PHOCIS, INC.'S EMPLOYEES ARE REQUIRED TO ACCEPT ROOM AND BOARD ON ITS PREMISES AS A CONDITION OF THEIR EMPLOYMENT. THE TREASURY REGULATIONS ON INCOME TAX (1986 CODE) STATE THAT THE VALUE OF SUCH ITEMS ARE TO BE REPORTED ON FORM 990 ONLY TO THE EXTENT THAT SUCH AMOUNTS ARE INCLUDIBLE IN THE GROSS INCOME OF EMPLOYEES. SECTION 119 OF THE INTERNAL REVENUE CODE OF 1986 EXCLUDES SUCH AMOUNTS FROM THE GROSS INCOME OF PHOCIS, INC.'S EMPLOYEES; THEREFORE, THE VALUE OF ROOM AND BOARD HAS NOT BEEN DEVELOPED OR REPORTED (NOR HAS IT BEEN DEVELOPED OR REPORTED IN COLUMN E, PART V OF FORM 990 -- OR COLUMN E, PART I OF SCHEDULE A).

LINE 2D-
 SEE PART V, FORM 990.

LINE 4-
 DISBURSEMENTS MADE IN FURTHERANCE OF PHOCIS, INC.'S EDUCATIONAL AND CHARITABLE PURPOSES ARE MADE ONLY TO NONPROFIT EDUCATIONAL AND CHARITABLE ORGANIZATIONS QUALIFIED AS TAX-EXEMPT UNDER SECTION 170(B)(1)(A)(II) AND 509(A)(1) OF THE INTERNAL REVENUE CODE OF 1986, AND SECTION 1.501(C)(3)-1(D)(1)(II) OF THE TREASURY REGULATIONS ON INCOME TAX (1986 CODE).

PHOCIS, INC.
93-0908525
DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT
YEAR-END 12/31/04

DESCRIPTION	CURRENT YEAR DEPRECIATION
LAND - BOSTON	-
LAND - SHERIDAN	-
LAND - LOS ANGELES	-
OFFICE EQUIPMENT	10,764
BUILDINGS - BOSTON	21,159
BUILDINGS - SHERIDAN	140,496
BUILDINGS - LA	179,815
TOTAL TO FORM 990, PART II, LINE 42	<u>352,234</u>

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
LAND - BOSTON	269,800	-	269,800
LAND - SHERIDAN	1,441,216	-	1,441,216
LAND - LOS ANGELES	1,600,823	-	1,600,823
OFFICE EQUIPMENT	64,641	61,186	3,455
BUILDINGS - BOSTON	702,353	270,725	431,628
BUILDINGS - SHERIDAN	5,224,708	2,097,799	3,126,909
BUILDINGS - LA	7,012,783	351,400	6,661,383
TOTAL TO FORM 990, PART IV, LINE 57	<u>16,316,324</u>	<u>2,781,110</u>	<u>13,535,214</u>

N:\ClientData\Phocis Inc 27025\2004\Tax\Workpapers\04-DEPR ATTACHMENT.xls]non-investment