

EXTENSION GRANTED UNTIL AUGUST 15, 2006  
**Return of Organization Exempt From Income Tax**

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

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

OMB No 1545-0047

**2005**

Open to Public Inspection

Form **990**

Department of the Treasury  
Internal Revenue Service

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

**and ending**

<b>B</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.	<b>C Name of organization</b> PHOCIS, INC.		<b>D Employer identification number</b> 93-0908525
		Number and street (or P O box if mail is not delivered to street address) Room/suite 20750 S.W. ROCK CREEK ROAD		<b>E Telephone number</b> (503) 843-1356
		City or town, state or country, and ZIP + 4 SHERIDAN, OR 97378		<b>F Accounting method:</b> <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 ► N/A

**H(c)** Are all affiliates included? (If "No," attach a list) N/A ☐ Yes ☐ No

**H(d)** Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No

**I** Group Exemption Number ► N/A

**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 chooses to file a return, be sure to file a complete return. Some states require a complete return.

**L** Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ► 4,749,304.

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

**Part 1 Revenue, Expenses, and Changes in Net Assets or Fund Balances**

Revenue	<b>1</b> Contributions, gifts, grants, and similar amounts received				
	<b>a</b> Direct public support	<b>1a</b>	977,506.		
	<b>b</b> Indirect public support	<b>1b</b>			
	<b>c</b> Government contributions (grants)	<b>1c</b>			
	<b>d</b> Total (add lines 1a through 1c) (cash \$ 55,231. noncash \$ 922,275.)	<b>1d</b>	977,506.		
	<b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>	2,282,500.		
	<b>3</b> Membership dues and assessments	<b>3</b>			
	<b>4</b> Interest on savings and temporary cash investments	<b>4</b>	42,876.		
	<b>5</b> Dividends and interest from securities	<b>5</b>	26,387.		
	<b>6 a</b> Gross rents	<b>6a</b>			
	<b>b</b> Less rental expenses	<b>6b</b>			
	<b>c</b> Net rental income or (loss) (subtract line 6b from line 6a)	<b>6c</b>			
<b>7</b> Other investment income (describe ► )	<b>7</b>				
	<b>8 a</b> Gross amount from sales of assets other than inventory	(A) Securities		(B) Other	
		1,419,535.	<b>8a</b>	500.	
	<b>b</b> Less cost or other basis and sales expenses		1,333,053.	<b>8b</b>	1,834.
	<b>c</b> Gain or (loss) (attach schedule)		86,482.	<b>8c</b>	<1,334.►
	<b>d</b> Net gain or (loss) (combine line 8c, columns (A) and (B))	STMT 1	STMT 2	<b>8d</b>	85,148.
	<b>9</b> Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>				
	<b>a</b> Gross revenue (not including \$ of contributions reported on line 1a)	<b>9a</b>			
	<b>b</b> Less direct expenses other than fundraising expenses	<b>9b</b>			
	<b>c</b> Net income or (loss) from special events (subtract line 9b from line 9a)	<b>9c</b>			
	<b>10 a</b> Gross sales of inventory, less returns and allowances	<b>10a</b>			
<b>b</b> Less cost of goods sold	<b>10b</b>				
<b>c</b> Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	<b>10c</b>				
<b>11</b> Other revenue (from Part VII, line 103)	<b>11</b>				
<b>12</b> Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	<b>12</b>	3,414,417.			
Expenses	<b>13</b> Program services (from line 44, column (B))	<b>13</b>	2,513,498.		
	<b>14</b> Management and general (from line 44, column (C))	<b>14</b>	146,207.		
	<b>15</b> Fundraising (from line 44, column (D))	<b>15</b>			
	<b>16</b> Payments to affiliates (attach schedule)	<b>16</b>			
	<b>17</b> Total expenses (add lines 13 and 14, column (A))	<b>17</b>	2,659,705.		
Net Assets	<b>18</b> Excess or (deficit) for the year (subtract line 17 from line 12)	<b>18</b>	754,712.		
	<b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A))	<b>19</b>	9,035,490.		
	<b>20</b> Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 3	<b>20</b>	98,998.		
	<b>21</b> Net assets or fund balances at end of year (combine lines 18, 19, and 20)	<b>21</b>	9,889,200.		

295

SCANNED JUL 20 2006

**Part II Statement of Functional Expenses**

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

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ <u>205,250</u> • noncash \$ <u>1,084,562</u> ) If this amount includes foreign grants, check here <input type="checkbox"/>			STATEMENT 5	
22		1,289,812.	1,289,812.	STATEMENT 6	
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc. **	176,134.	156,723.	19,411.	0.
26	Other salaries and wages				
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes	9,482.	8,534.	948.	
30	Professional fundraising fees				
31	Accounting fees	17,739.		17,739.	
32	Legal fees	99,488.		99,488.	
33	Supplies	7,274.	413.	6,861.	
34	Telephone	2,815.	2,534.	281.	
35	Postage and shipping				
36	Occupancy				
37	Equipment rental and maintenance				
38	Printing and publications				
39	Travel	8,113.	7,302.	811.	
40	Conferences, conventions, and meetings				
41	Interest	521,150.	521,150.		
42	Depreciation, depletion, etc. (attach schedule)	355,298.	355,298.		
43	Other expenses not covered above (itemize):				
a	AMORTIZATION	148,398.	148,398.	0.	
b	BUILDING MAINTENANCE	450.	450.	0.	
c	BANK CHARGES	186.	37.	149.	
d	ANNUAL REPORT FEES	519.	0.	519.	
e	DUES & SUBSCRIPTIONS	827.	827.	0.	
f	INVESTMENT MANAGEMENT				
g	FEE	22,020.	22,020.		
44	<b>Total functional expenses.</b> Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	2,659,705.	2,513,498.	146,207.	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 \$ N/A, (ii) the amount allocated to Program services \$ N/A,(iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

Form 990 (2005)

\*\* SEE STATEMENT 4

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

- Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 8

**Program Service Expenses**  
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others.)

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

**a** SEE STATEMENT 7(Grants and allocations \$ 1,289,812. ) If this amount includes foreign grants, check here ► ☐ 2,513,498.**b**(Grants and allocations \$ ) If this amount includes foreign grants, check here ► ☐**c**(Grants and allocations \$ ) If this amount includes foreign grants, check here ► ☐**d**(Grants and allocations \$ ) If this amount includes foreign grants, check here ► ☐**e** Other program services (attach schedule)(Grants and allocations \$ ) If this amount includes foreign grants, check here ► ☐**f** Total of Program Service Expenses (should equal line 44, column (B), Program services) ► 2,513,498.

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**Part IV Balance Sheets** (See the instructions)**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
<b>Assets</b>	45 Cash - non-interest-bearing	16,975.	45	64,153.
	46 Savings and temporary cash investments	453,943.	46	377,821.
	47 a Accounts receivable	47a 28,267.		
	b Less: allowance for doubtful accounts	47b	47c	28,267.
	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	
	54 Investments - securities STMT 9 STMT 13 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	2,130,095.	54	2,323,360.
	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 16,418,408.			
b Less: accumulated depreciation	57b 3,034,122.	13,535,214.	57c	13,384,286.
58 Other assets (describe <input type="checkbox"/> SEE STATEMENT 10 )	104,964.	58	1,322,606.	
59 <b>Total assets</b> (must equal line 74). Add lines 45 through 58	16,303,080.	59	17,500,493.	
<b>Liabilities</b>	60 Accounts payable and accrued expenses	267,482.	60	378,380.
	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 STMT 11 STMT 12	7,000,108.	64b	7,232,913.
	65 Other liabilities (describe <input type="checkbox"/> )		65	
66 <b>Total liabilities.</b> Add lines 60 through 65)	7,267,590.	66	7,611,293.	
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.</b>			
	67 Unrestricted	6,881,661.	67	7,740,481.
	68 Temporarily restricted	482,615.	68	461,965.
	69 Permanently restricted	1,671,214.	69	1,686,754.
	<b>Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.</b>			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 <b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	9,035,490.	73	9,889,200.	
74 <b>Total liabilities and net assets/fund balances.</b> Add lines 66 and 73	16,303,080.	74	17,500,493.	

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

<b>a</b>	Total revenue, gains, and other support per audited financial statements	<b>a</b>	3,513,415.
<b>b</b>	Amounts included on line <b>a</b> but not on Part I, line 12:		
<b>1</b>	Net unrealized gains on investments	<b>b1</b>	
<b>2</b>	Donated services and use of facilities	<b>b2</b>	
<b>3</b>	Recoveries of prior year grants	<b>b3</b>	
<b>4</b>	Other (specify): <u>SEE STATEMENT 14</u>	<b>b4</b>	98,998.
	Add lines <b>b1</b> through <b>b4</b>	<b>b</b>	98,998.
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>	<b>c</b>	3,414,417.
<b>d</b>	Amounts included on Part I, line 12, but not on line <b>a</b> :		
<b>1</b>	Investment expenses not included on Part I, line 6b	<b>d1</b>	
<b>2</b>	Other (specify):	<b>d2</b>	
	Add lines <b>d1</b> and <b>d2</b>	<b>d</b>	0.
<b>e</b>	<b>Total revenue</b> (Part I, line 12). Add lines <b>c</b> and <b>d</b>	<b>e</b>	3,414,417.

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

<b>a</b>	Total expenses and losses per audited financial statements	<b>a</b>	2,659,705.
<b>b</b>	Amounts included on line <b>a</b> but not on Part I, line 17:		
<b>1</b>	Donated services and use of facilities	<b>b1</b>	
<b>2</b>	Prior year adjustments reported on Part I, line 20	<b>b2</b>	
<b>3</b>	Losses reported on Part I, line 20	<b>b3</b>	
<b>4</b>	Other (specify):	<b>b4</b>	
	Add lines <b>b1</b> through <b>b4</b>	<b>b</b>	0.
<b>c</b>	Subtract line <b>b</b> from line <b>a</b>	<b>c</b>	2,659,705.
<b>d</b>	Amounts included on Part I, line 17, but not on line <b>a</b> :		
<b>1</b>	Investment expenses not included on Part I, line 6b	<b>d1</b>	
<b>2</b>	Other (specify):	<b>d2</b>	
	Add lines <b>d1</b> and <b>d2</b>	<b>d</b>	0.
<b>e</b>	<b>Total expenses</b> (Part I, line 17). Add lines <b>c</b> and <b>d</b>	<b>e</b>	2,659,705.

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

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-.)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
E. RAY PHELPS 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIR/PRESIDENT 40.00	89,480.	43,603.	0.
CHRISTINE J. PERPELITT 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIR/SEC-TREAS 40.00	26,154.	16,897.	0.
MARK I. SIEGEL 20950 SW ROCK CREEK ROAD SHERIDAN, OREGON 97378	DIRECTOR 0.25	0.	0.	0.



**Part VI Other Information** (continued)

		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III.)		
82b	N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to 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?		
84b	N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		
85a	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
85b	N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members		
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	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
85h	N/A		
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
88			
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 <u>0.</u> , section 4912 <u>0.</u> , section 4955 <u>0.</u>		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
89b			
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 <u>OR, CA</u>		
b	Number of employees employed in the pay period that includes March 12, 2005	90b	2
91 a	The books are in care of <u>CHRISTINE PERPELITT</u> Telephone no <u>503-843-1356</u> Located at <u>20750 S.W. ROCK CREEK ROAD, SHERIDAN, OR</u> ZIP + 4 <u>97378</u>		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country <u>N/A</u> See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.	91b	X
c	At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country <u>N/A</u>	91c	X
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <u>N/A</u>	92	

Form 990 (2005)

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

**Note:** Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a RENT INCOME			16	1,897,500.	
b LICENSE FEE INCOME			15	385,000.	
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	42,876.	
96 Dividends and interest from securities			14	26,387.	
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			18	85,148.	
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.		2,436,911.	0.
105 Total (add line 104, columns (B), (D), and (E))					2,436,911.

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

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

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
1	
2	
3	
4	
5	

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See the instructions.)

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

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

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☒ No

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

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

Signature of officer: Christine Perpelitt Date: 5/18/06 Type or print name and title: Christine Perpelitt, Sec/Treas

Paid Preparer's Use Only: Preparer's signature: Patricia J. Schmitt Date: 5/17/06 Check if self-employed: ☐ Preparer's SSN or PTIN:

Firm's name (or yours if self-employed), address, and ZIP + 4: PERKINS & COMPANY, P.C.  
1211 SW FIFTH AVE., SUITE 1000  
PORTLAND, OR 97204-3712

EIN:  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 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

**2005**

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-A**

**Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None ")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
ROBERT G. BURT, P.C. 1515 SW FIFTH AVE, SUITE 600, PORTLAND, OR 97201	LEGAL SERVICES	99,488.
Total number of others receiving over \$50,000 for professional services	0	

**Part II-B**

**Compensation of the Five Highest Paid Independent Contractors for Other Services**

(List each contractor who performed services other than professional services, whether individuals or firms If there are none, enter "None " See page 2 of the instructions )

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services	0	

**Part III** Statements About Activities (See page 2 of the instructions)

	Yes	No
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.	1	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? SEE STATEMENT 17	2a	X
b Lending of money or other extension of credit?	2b	X
c Furnishing of goods, services, or facilities? SEE STATEMENT 18	2c	X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE STATEMENT 19	2d	X
e Transfer of any part of its income or assets?	2e	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.)	3a	X
b Do you have a section 403(b) annuity plan for your employees?	3b	X
c During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?	3c	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?	4a	X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?	4b	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	<input type="checkbox"/>	A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
6	<input type="checkbox"/>	A school Section 170(b)(1)(A)(ii) (Also complete Part V)
7	<input type="checkbox"/>	A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
8	<input type="checkbox"/>	A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
9	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust Section 170(b)(1)(A)(vi) (Also complete the Support Schedule in Part IV-A)
12	<input type="checkbox"/>	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	<input checked="" type="checkbox"/>	An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) sections 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). Check the box that describes the type of supporting organization: <input type="checkbox"/> Type 1 <input type="checkbox"/> Type 2 <input checked="" type="checkbox"/> Type 3

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

(a) Name(s) of supported organization(s)	(b) Line number from above
DELPHI SCHOOLS, INC. E.I.N. 93-0630376	6
DELPHI ACADEMY OF BOSTON, INC. E.I.N. 04-2699036	6

14	<input type="checkbox"/>	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.**

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) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
<b>15</b> Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)					
<b>16</b> Membership fees received					
<b>17</b> 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					
<b>18</b> 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					
<b>19</b> Net income from unrelated business activities not included in line 18					
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
<b>21</b> 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.					
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
<b>23</b> Total of lines 15 through 22	0.	0.	0.	0.	0.
<b>24</b> Line 23 minus line 17					
<b>25</b> Enter 1% of line 23					
<b>26</b> Organizations described on lines 10 or 11: <b>a</b> Enter 2% of amount in column (e), line 24					<b>26a</b> N/A
<b>b</b> Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					<b>26b</b> N/A
<b>c</b> Total support for section 509(a)(1) test. Enter line 24, column (e)					<b>26c</b> N/A
<b>d</b> Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____					<b>26d</b> N/A
<b>e</b> Public support (line 26c minus line 26d total)					<b>26e</b> N/A
<b>f</b> Public support percentage (line 26e (numerator) divided by line 26c (denominator))					<b>26f</b> N/A %
<b>27</b> Organizations described on line 12: <b>a</b> For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
<b>b</b> For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
<b>c</b> Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					<b>27c</b> N/A
<b>d</b> Add: Line 27a total _____ and line 27b total _____					<b>27d</b> N/A
<b>e</b> Public support (line 27c total minus line 27d total)					<b>27e</b> N/A
<b>f</b> Total support for section 509(a)(2) test. Enter amount on line 23, column (e)					<b>27f</b> N/A
<b>g</b> Public support percentage (line 27e (numerator) divided by line 27f (denominator))					<b>27g</b> N/A %
<b>h</b> Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					<b>27h</b> N/A %

**28 Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

**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		

Schedule A (Form 990 or 990-EZ) 2005

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

N/A

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

Check ☒ **a** ☐ if the organization belongs to an affiliated group Check ☐ **b** ☐ if you checked "a" and "limited control" provisions apply**Limits on Lobbying Expenditures**

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

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
	N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount Enter the amount from the following table -		
If the amount on line 40 is -		
Not over \$500,000	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	
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

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

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

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

N/A

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

- 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



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	53,790.	53,790.	0.	0.
PUBLICLY TRADED SECURITIES - RESTRICTED	1,365,745.	1,279,263.	0.	86,482.
TO FORM 990, PART I, LINE 8	1,419,535.	1,333,053.	0.	86,482.

FORM 990                      GAIN (LOSS) FROM SALE OF OTHER ASSETS                      STATEMENT      2

DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED
VARIOUS FIXED ASSETS - SEE ATTACHED SCHEDULE	VARIOUS	VARIOUS	PURCHASED

NAME OF BUYER	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)
	500.	104,120.	0.	102,286.	<1,334.>
TO FM 990, PART I, LN 8	500.	104,120.	0.	102,286.	<1,334.>

FORM 990                      OTHER CHANGES IN NET ASSETS OR FUND BALANCES                      STATEMENT      3

DESCRIPTION	AMOUNT
UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS	162,412.
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE	665.
UNREALIZED LOSS ON INVESTMENTS CARRIED AT MARKET VALUE	<64,079.>
TOTAL TO FORM 990, PART I, LINE 20	98,998.



FORM 990

OFFICER COMPENSATION ALLOCATION  
PART II, LINE 25

STATEMENT 4

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
ERNEST RAY PHELPS	89,480.	43,603.		133,083.
A. PROGRAM SERVICES	79,618.	38,798.		118,416.
B. MANAGEMENT AND GENERAL	9,862.	4,805.		14,667.
C. FUNDRAISING				

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
CHRISTINE J. PERPELITT	26,154.	16,897.		43,051.
A. PROGRAM SERVICES	23,272.	15,035.		38,307.
B. MANAGEMENT AND GENERAL	2,882.	1,862.		4,744.
C. FUNDRAISING				

TOTAL PROGRAM SERVICES				156,723.
TOTAL MANAGEMENT AND GENERAL				19,411.
TOTAL FUNDRAISING				
TOTAL OFFICER, ETC., COMPENSATION INCLUDED ON PARTS V-A AND V-B				176,134.

FORM 990

## CASH GRANTS AND ALLOCATIONS

STATEMENT 5

CLASSIFICATION	DONEE'S NAME	DONEE'S ADDRESS	DONEE'S RELATIONSHIP	AMOUNT
PROGRAM SERVICES	DELPHI SCHOOLS, INC.	20950 SW ROCK CREEK ROAD, SHERIDAN, OR	N/A	205,250.
TOTAL INCLUDED ON FORM 990, PART II, LINE 22				205,250.

FORM 990

NONCASH GRANTS AND ALLOCATIONS

STATEMENT 6

## CLASS OF ACTIVITY: PROGRAM SERVICES

DONEE'S NAMEDONEE'S ADDRESS

DELPHI SCHOOLS, INC.

20950 SW ROCK CREEK ROAD, SHERIDAN,  
OR 97378RELATIONSHIP OF DONEEDESCRIPTION OF PROPERTYDATE OF GIFT

N/A

RENT REDUCTION

VARIOUS

METHOD USED TO DETERMINE BOOK VALUEMETHOD USED TO DETERMINE FAIR MARKET VALUEBOOK VALUEAMOUNT GIVEN

0.

854,284.

## CLASS OF ACTIVITY: PROGRAM SERVICES

DONEE'S NAMEDONEE'S ADDRESS

DELPHI ACADEMY OF BOSTON, INC.

564 BLUE HILL AVENUE, MILTON, MA  
02186RELATIONSHIP OF DONEEDESCRIPTION OF PROPERTYDATE OF GIFT

N/A

RENT REDUCTION

VARIOUS

METHOD USED TO DETERMINE BOOK VALUEMETHOD USED TO DETERMINE FAIR MARKET VALUEBOOK VALUEAMOUNT GIVEN

0.

35,100.

CLASS OF ACTIVITY: PROGRAM SERVICES

DONEE'S NAME

DONEE'S ADDRESS

DELPHI SCHOOLS, INC.

20950 SW ROCK CREEK ROAD, SHERIDAN,  
OR 97378

RELATIONSHIP OF DONEE

DESCRIPTION OF PROPERTY

DATE OF GIFT

N/A

LEGAL FEES

VARIOUS

METHOD USED TO DETERMINE BOOK VALUE

METHOD USED TO DETERMINE FAIR MARKET VALUE

BOOK VALUE

AMOUNT GIVEN

0.

27,296.

CLASS OF ACTIVITY: PROGRAM SERVICES

DONEE'S NAME

DONEE'S ADDRESS

DELPHI SCHOOLS, INC.

20950 SW ROCK CREEK ROAD, SHERIDAN,  
OR 97378

RELATIONSHIP OF DONEE

DESCRIPTION OF PROPERTY

DATE OF GIFT

N/A

INVENTORY

VARIOUS

METHOD USED TO DETERMINE BOOK VALUE

METHOD USED TO DETERMINE FAIR MARKET VALUE

BOOK VALUE

AMOUNT GIVEN

0.

167,882.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22

1,084,562.

## FORM 990

## STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

## STATEMENT 7

## DESCRIPTION OF EXEMPT PURPOSE ACHIEVEMENTS

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, AND/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 SCHOOL EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE OF 1986, IN CONJUNCTION WITH DELPHI SCHOOLS, INC.'S: (1) EDUCATIONAL CURRICULUM AND SYLLABI, AND SUPPORTING IMPLEMENTATION ADVICE FOR THE EDUCATION OF STUDENTS IN PRESCHOOL/KINDERGARTEN THROUGH HIGH SCHOOL AND BEYOND; (2) EDUCATIONAL PUBLICATIONS; AND (3) DELPHI TRADEMARKS AND SERVICEMARKS (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"). DELPHI SCHOOLS, INC., ALSO CURRENTLY CONTRACTS WITH FIVE 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"), A DAY SCHOOL IN SAN MARCOS, CALIFORNIA ("THE DELPHI ACADEMY OF SAN MARCOS"), AND A DAY SCHOOL IN CHICAGO, ILLINOIS ("DELPHI ACADEMY OF CHICAGO").

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

IN FULFILLING ITS EXEMPT PURPOSE DURING 2005, PHOCIS, INC., PROVIDED ITS SUPPORTED ORGANIZATIONS WITH: (1) CASH AND LIKE-KIND GRANTS; (2) ADMINISTRATIVE SERVICES; (3) FUNDING FOR LEGAL SERVICES; AND (4) LEASED SCHOOL FACILITIES AT LESS-THAN-THEIR-MARKET LEASE RATES. IN ADDITION, PHOCIS, INC., ACQUIRED CERTAIN INTELLECTUAL PROPERTIES, EDUCATIONAL CURRICULUM, AND MANAGEMENT SOFTWARE ("INTELLECTUAL PROPERTIES"), AND BEGAN PROVIDING THE INTELLECTUAL PROPERTIES TO DELPHI SCHOOLS, INC., PURSUANT TO A DEVELOPMENT LICENSE, AS AN INTEGRAL PART OF DELPHI SCHOOLS, INC.'S DELPHI PROGRAM.

TO FULFILL ITS EXEMPT PURPOSE IN THE FUTURE, PHOCIS WILL CONTINUE PROVIDING CASH AND LIKE-KIND GRANTS, ADMINISTRATIVE SERVICES, FUNDING FOR LEGAL SERVICES, AND LEASED SCHOOL FACILITIES AT LESS-THAN-THEIR-MARKET LEASE RATES. IT WILL ALSO CONTINUE TO LICENSE THE INTELLECTUAL PROPERTIES TO DELPHI SCHOOLS, INC., WITH THE GOAL OF DOING SO AT LESS-THAN-FAIR MARKET RATES.

TO FORM 990, PART III, LINE A

GRANTS	EXPENSES
<u>1,289,812.</u>	<u>2,513,498.</u>

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FORM 990      STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE      STATEMENT      8

PART III

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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.

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FORM 990      NON-GOVERNMENT SECURITIES      STATEMENT      9

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SECURITY DESCRIPTION	COST/FMV	CORPORATE STOCKS	CORPORATE BONDS	OTHER PUBLICLY TRADED SECURITIES	TOTAL NON-GOV'T SECURITIES
EQUITY SECURITIES	FMV	683,693.			683,693.
CORPORATE DEBT SECURITIES	FMV		105,376.		105,376.
TO FORM 990, LINE 54, COL B		683,693.	105,376.		789,069.

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FORM 990      OTHER ASSETS      STATEMENT      10

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DESCRIPTION	AMOUNT
GOODWILL	289,548.
LESS: ACCUMULATED AMORTIZATION	<28,955.>
COVENANT OF NONCOMPETITION	162,000.
EDUCATIONAL CURRICULUM	834,000.
MANAGEMENT SOFTWARE	120,590.
LOAN COSTS	88,218.
LESS: ACCUMULATED AMORTIZATION	<142,795.>
TOTAL TO FORM 990, PART IV, LINE 58, COLUMN B	1,322,606.

FORM 990

MORTGAGES PAYABLE

STATEMENT 11

## DESCRIPTION

## BALANCE DUE

SOVEREIGN BANK

390,642.

SOVEREIGN BANK

157,447.

KEY BANK

638,213.

KEY BANK

5,660,245.

TOTAL INCLUDED ON FORM 990, PART IV, LINE 64B, COLUMN B

6,846,547.

FORM 990

OTHER NOTES AND LOANS PAYABLE

STATEMENT 12

LENDER'S NAME		TERMS OF REPAYMENT	
---------------	--	--------------------	--

ALAN H. LARSON		3 PER YEAR	
----------------	--	------------	--

DATE OF NOTE	MATURITY DATE	ORIGINAL LOAN AMOUNT	INTEREST RATE
01/01/05	01/01/07	247,000.	6.75%

SECURITY PROVIDED BY BORROWER	PURPOSE OF LOAN
	NOTE PAYABLE

RELATIONSHIP OF LENDER

---

DESCRIPTION OF CONSIDERATION	FMV OF CONSIDERATION	BALANCE DUE
	0.	160,000.

LENDER'S NAME		TERMS OF REPAYMENT	
---------------	--	--------------------	--

TAMARACK PRODUCTIONS, INC.		5 PER YEAR	
-------------------------------	--	------------	--

DATE OF NOTE	MATURITY DATE	ORIGINAL LOAN AMOUNT	INTEREST RATE
01/01/05	01/01/09	273,231.	6.75%

SECURITY PROVIDED BY BORROWER	PURPOSE OF LOAN
	NOTE PAYABLE

RELATIONSHIP OF LENDER

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DESCRIPTION OF CONSIDERATION	FMV OF CONSIDERATION	BALANCE DUE
	0.	157,400.

<u>LENDER'S NAME</u>	<u>TERMS OF REPAYMENT</u>
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ALAN H. LARSON

<u>DATE OF NOTE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>INTEREST RATE</u>
01/01/05	01/01/14	88,966.	.00%

<u>SECURITY PROVIDED BY BORROWER</u>	<u>PURPOSE OF LOAN</u>
	NOTE PAYABLE

RELATIONSHIP OF LENDER

<u>DESCRIPTION OF CONSIDERATION</u>	<u>FMV OF CONSIDERATION</u>	<u>BALANCE DUE</u>
	0.	68,966.
TOTAL INCLUDED ON FORM 990, PART IV, LINE 64, COLUMN B		386,366.

FORM 990	OTHER SECURITIES	STATEMENT 13
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<u>SECURITY DESCRIPTION</u>	<u>COST/FMV</u>	<u>OTHER SECURITIES</u>
MUTUAL FUNDS	FMV	951,271.
GOVERNMENT SECURITIES	FMV	391,884.
CERTIFICATE OF DEPOSITS	FMV	191,136.
TO FORM 990, LINE 54, COL B		1,534,291.

FORM 990	OTHER REVENUE NOT INCLUDED ON FORM 990	STATEMENT 14
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<u>DESCRIPTION</u>	<u>AMOUNT</u>
UNREALIZED GAIN ON INVESTMENTS CARRIED AT MARKET VALUE - UNRESTRICTED	665.
UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS - UNRESTRICTED	162,412.
UNREALIZED LOSS ON INVESTMENTS CARRIED AT MARKET VALUE - PERMANENT RES	<64,079.>
TOTAL TO FORM 990, PART IV-A	98,998.



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FORM 990	IDENTIFICATION OF RELATED ORGANIZATIONS	STATEMENT 15
	PART VI, LINE 80B	

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NAME OF ORGANIZATION	EXEMPT	NONEXEMPT
DELPHI SCHOOLS INC. DELPHI OF BOSTON INC.	X	

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FORM 990	STATEMENT OF ACTIVITIES NOT PREVIOUSLY REPORTED - PART VI, LINE 76	STATEMENT 16
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EXPLANATION

DURING 2005, PHOCIS ACQUIRED ALL OF THE ASSETS OF TAMARACK PRODUCTIONS, INC., FOR \$1,624,251.00, WHICH ASSETS WERE COMPRISED OF INTELLECTUAL PROPERTIES, GOODWILL, EDUCATIONAL CURRICULUM, MANAGEMENT SOFTWARE, ACCOUNTS RECEIVABLE, INVENTORY, AND MISCELLANEOUS DEPRECIABLE PROPERTY. PHOCIS, INC., IMMEDIATELY TRANSFERRED THE ACQUIRED ACCOUNTS RECEIVABLE, INVENTORY, AND DEPRECIABLE PROPERTY, AS A GRANT, TO ONE OF ITS SUPPORTED ORGANIZATIONS, DELPHI SCHOOLS, INC. THE ACQUIRED INTELLECTUAL PROPERTY, EDUCATIONAL CURRICULUM, AND MANAGEMENT SOFTWARE (COLLECTIVELY "INTELLECTUAL PROPERTIES") HAD BEEN PREVIOUSLY LICENSED BY TAMARACK PRODUCTIONS, INC., TO DELPHI SCHOOLS, INC. (AS AN INTEGRAL PART OF ITS "DELPHI PROGRAM"), AND OTHERS. FOLLOWING PHOCIS, INC.'S ACQUISITION OF THE INTELLECTUAL PROPERTY, PHOCIS, INC., LICENSED THE INTELLECTUAL PROPERTIES TO DELPHI SCHOOLS, INC., PURSUANT TO A DEVELOPMENT LICENSE, IN ORDER TO PERPETUATE DELPHI SCHOOLS, INC.'S OWN DEVELOPMENT, USE, AND LICENSE OF THE DELPHI PROGRAM (TO ITS OWN AFFILIATES, AS WELL AS TAMARACK PRODUCTIONS, INC.'S FORMER LICENSES). IT IS EXPECTED THAT, FOLLOWING SATISFACTION OF PHOCIS, INC.'S ACQUISITION COSTS, PHOCIS, INC., WILL REDUCE ITS LICENSE FEES TO DELPHI SCHOOLS, INC., TO BELOW MARKET.

## SCHEDULE A

EXPLANATION OF TRANSACTIONS  
PART III, LINE 2A

STATEMENT 17

DURING 2005, PHOCIS, INC. ACQUIRED ALL OF THE ASSETS OF TAMARACK PRODUCTIONS, INC., AND THE PERSONAL GOODWILL OF ITS FOUNDER AND SOLE SHAREHOLDER. THE FAIR MARKET VALUE OF THE ASSETS ACQUIRED, INCLUDING A COVENANT OF NONCOMPETITION AND TRANSACTION COSTS, TOTALED \$1,624,251 -- OF WHICH TAMARACK PRODUCTIONS, INC., DONATED \$972,506, AND PHOCIS, INC. PAID THE REMAINDER (A PORTION OF WHICH IS PAYABLE OVER THREE TO TEN YEARS).

## SCHEDULE A

EXPLANATION OF TRANSACTIONS  
PART III, LINE 2C

STATEMENT 18

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).

## SCHEDULE A

EXPLANATION OF TRANSACTIONS  
PART III, LINE 2D

STATEMENT 19

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 12/31/05

DESCRIPTION	CURRENT YEAR DEPRECIATION
LAND - BOSTON	-
LAND - SHERIDAN	-
LAND - LOS ANGELES	-
OFFICE EQUIPMENT	1,248
BUILDINGS - BOSTON	21,159
BUILDINGS - SHERIDAN	146,342
BUILDINGS - LA	186,549
TOTAL TO FORM 990, PART II, LINE 42	<u>355,298</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	1,461,277	-	1,461,277
OFFICE EQUIPMENT	12,076	11,703	373
BUILDINGS - BOSTON	702,353	291,884	410,469
BUILDINGS - SHERIDAN	5,373,153	2,192,585	3,180,568
BUILDINGS - LA	7,158,533	537,950	6,620,583
TOTAL TO FORM 990, PART IV, LINE 57	<u>16,418,408</u>	<u>3,034,122</u>	<u>13,384,286</u>

PHOCIS  
Book Gain or Loss Report (#10)  
GAAP  
For the Period January 1, 2005 to December 31, 2005

Asset ID	Placed In	Date	Unadjusted	Depreciation		Ordinary	Capital	Total
	Service	Disposed	Basis	Allowed or	Net Proceeds	Gain (Loss)	Gain (Loss)	Recog.
				Allowable				Gain (Loss)
Class 150								
000179	Bookshelves and desk modification							
	07/01/2000	03/29/2005	2,183	1,455	0	-728	0	-728
Subtotal 150 (1)			2,183	1,455	0	-728	0	-728
Class 151								
000132	scanner							
	06/01/1998	03/29/2005	57	56	0	-1	0	-1
000134	Xerox copier XC1255							
	10/15/1998	03/29/2005	1,100	1,100	0	0	0	0
000156	Mitsubishi Projection TV							
	12/31/1999	12/31/2005	1,785	1,785	0	0	0	0
000157	25 HP Vectra Computers							
	12/31/1999	12/31/2005	7,500	7,500	0	0	0	0
000158	2 Printers							
	12/31/1999	12/31/2005	400	400	0	0	0	0
000159	L Ron Hubbard References							
	12/31/1999	12/31/2005	4,700	4,700	0	0	0	0
000160	28 Licences Win 98 and 39 Licenses Off Prof 2000							
	12/31/1999	12/31/2005	26,413	26,413	0	0	0	0
000161	Computer/Tech References							
	12/31/1999	12/31/2005	1,952	1,952	0	0	0	0
000162	L Ron Hubbard audio tapes							
	12/31/1999	12/31/2005	1,040	1,040	0	0	0	0
000163	Macintosh Power Book							
	12/31/1999	12/31/2005	800	800	0	0	0	0
000164	L Ron Hubbard Tapes							
	12/31/1999	12/31/2005	500	500	0	0	0	0
000165	PacBell Pentium Computer							
	12/31/1999	12/31/2005	300	300	0	0	0	0
000170	Range Oven							
	05/01/1999	12/31/2005	1,915	1,801	0	-114	0	-114
000192	Sony Vaio Laptop							
	08/26/2002	01/31/2005	1,920	928	500	-492	0	-492
Subtotal 151 (14)			50,382	49,275	500	-607	0	-607
Class 154								
000014 1	MOBILE HOMES							
	01/01/1978	12/31/2005	25,778	25,778	0	0	0	0
000014 2	MOBILE HOMES							
	01/01/1978	12/31/2005	25,778	25,778	0	0	0	0
Subtotal 154 (2)			51,555	51,555	0	0	0	0
Grand Total			104,120	102,286	500	-1,334	0	-1,334
					FS.7/X-1	X-1	UL1 /FS.7	

Note There may be differences due to rounding