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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)

2006

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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

A For the 2006 calendar year, or tax year beginning 7/01, 2006, and ending 6/30, 2007

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

C Pacific Education Foundation formerly Heald College 220 Montgomery Street #963 San Francisco, CA 94104

D Employer Identification Number 94-2398206 E Telephone number 866-784-0088 F Accounting method: Cash, X Accrual

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? H(b) If 'Yes,' enter number of affiliates H(c) Are all affiliates included? H(d) Is this a separate return filed by an organization covered by a group ruling?

G Web site: pacifiedfoundation.com

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

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000.

I Group Exemption Number M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF)

L Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 78,397,060.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

Table with 21 rows and 2 columns: Description and Amount. Includes revenue from contributions, program services, membership dues, and expenses for program services and management. Total revenue: 72,681,723. Total expenses: 87,934,642. Net assets at end of year: -2,926,587.



STATUTE UNIT RECEIVED MAY 10 2010 TPR BRANCH OGDEN

STATUTE CLEARED MAY 11 2010

SCANNED JUL 13 2010 RECEIVED

Handwritten notes: 9/1 & 17, 25

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
22a Grants paid from donor advised funds (attach sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22a			
22b Other grants and allocations (att sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22b			
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25a Compensation of current officers, directors, key employees, etc listed in Part V-A (attach sch) See Stmt 4	25a 2,037,673.	1,752,399.	285,274.	0.
b Compensation of former officers, directors, key employees, etc listed in Part V-B (attach sch)	25b 0.	0.	0.	0.
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)	25c 0.	0.	0.	0.
26 Salaries and wages of employees not included on lines 25a, b, and c	26 35,250,924.	30,315,795.	4,935,129.	
27 Pension plan contributions not included on lines 25a, b, and c	27			
28 Employee benefits not included on lines 25a - 27	28 8,030,272.	6,906,035.	1,124,237.	
29 Payroll taxes	29 58,387.	50,213.	8,174.	
30 Professional fundraising fees	30			
31 Accounting fees	31 266,500.		266,500.	
32 Legal fees	32 756,371.		756,371.	
33 Supplies	33			
34 Telephone	34 730,373.	3,441.	726,932.	
35 Postage and shipping	35			
36 Occupancy	36 8,780,693.	8,533,964.	246,729.	
37 Equipment rental and maintenance	37 1,107,100.	1,099,399.	7,701.	
38 Printing and publications	38			
39 Travel	39 867,563.	89,951.	777,612.	
40 Conferences, conventions, and meetings	40 52,144.	51,313.	831.	
41 Interest	41 1,488,824.		1,488,824.	
42 Depreciation, depletion, etc (attach schedule)	42 5,555,676.	3,398,596.	2,157,080.	
43 Other expenses not covered above (itemize)				
a See Statement 5	43a 22,952,142.	15,307,290.	7,644,852.	
b	43b			
c	43c			
d	43d			
e	43e			
f	43f			
g	43g			
44 Total functional expenses Add lines 22a through 43g (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	44 87,934,642.	67,508,396.	20,426,246.	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

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? Business and Technology Education.
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) organizations and 4947(a)(1) trusts, but optional for others)

a Heald College provides post-secondary educational opportunities to serve those interested in pursuing careers in the business, technology and healthcare fields. Campuses are located in California, Oregon and Hawaii.

(Grants and allocations \$) If this amount includes foreign grants, check here

67,508,396.

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
(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) 67,508,396.

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
ASSETS	45 Cash -- non-interest-bearing	2,731,055.	45	517,967.
	46 Savings and temporary cash investments	3,553,074.	46	1,012,854.
	47a Accounts receivable	47a 6,798,017.		
	b Less allowance for doubtful accounts	47b 2,983,048.	5,567,431.	47c 3,814,969.
	48a Pledges receivable	48a		
	b Less allowance for doubtful accounts	48b		48c
	49 Grants receivable		58,109.	49
	50a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)			50a
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)			50b
	51a Other notes and loans receivable (attach schedule)	51a		
	b Less allowance for doubtful accounts	51b		51c
	52 Inventories for sale or use		1,110,970.	52 1,038,827.
	53 Prepaid expenses and deferred charges		1,425,034.	53 1,081,520.
	54a Investments -- publicly-traded securities Stmt 6 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		12,854.	54a 13,268.
b Investments -- other securities (attach sch) <input type="checkbox"/> Cost <input type="checkbox"/> FMV			54b	
55a Investments -- land, buildings, & equipment, basis	55a			
b Less accumulated depreciation (attach schedule)	55b		55c	
56 Investments -- other (attach schedule)			56	
57a Land, buildings, and equipment, basis	57a 87,402,528.			
b Less accumulated depreciation (attach schedule) Statement 7	57b 50,089,469.	42,947,484.	57c 37,313,059.	
58 Other assets, including program-related investments (describe ▶ See Statement 8)		78,142.	58 461,574.	
59 Total assets (must equal line 74) Add lines 45 through 58		57,484,153.	59 45,254,038.	
LIABILITIES	60 Accounts payable and accrued expenses	8,110,438.	60	12,538,140.
	61 Grants payable		61	
	62 Deferred revenue	1,048,710.	62	1,770,217.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule) Stmt 18		22,103,227.	64a 22,951,818.
	b Mortgages and other notes payable (attach schedule) Stmt 18		2,700,551.	64b 1,665,890.
	65 Other liabilities (describe ▶ See Statement 9)		2,646,967.	65 9,254,560.
66 Total liabilities. Add lines 60 through 65		36,609,893.	66 48,180,625.	
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		20,763,290.	67 -3,037,557.
	68 Temporarily restricted			68
	69 Permanently restricted		110,970.	69 110,970.
	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			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 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72 (Column (A) must equal line 19 and column (B) must equal line 21)		20,874,260.	73 -2,926,587.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73		57,484,153.	74 45,254,038.

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

a	Total revenue, gains, and other support per audited financial statements		a	78,195,439.
b	Amounts included on line a but not on Part I, line 12.			
	1 Net unrealized gains on investments	b1		
	2 Donated services and use of facilities	b2		
	3 Recoveries of prior year grants	b3		
	4 Other (specify) _____	b4	5,513,716.	
	See Stmt 10			
	Add lines b1 through b4		b	5,513,716.
c	Subtract line b from line a		c	72,681,723.
d	Amounts included on Part I, line 12, but not on line a :			
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) _____	d2		
	Add lines d1 and d2		d	
e	Total revenue (Part I, line 12). Add lines c and d		e	72,681,723.

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

a	Total expenses and losses per audited financial statements		a	87,862,811.
b	Amounts included on line a but not on Part I, line 17.			
	1 Donated services and use of facilities	b1		
	2 Prior year adjustments reported on Part I, line 20	b2		
	3 Losses reported on Part I, line 20	b3		
	4 Other (specify) _____	b4	-71,831.	
	See Stmt 11			
	Add lines b1 through b4		b	-71,831.
c	Subtract line b from line a		c	87,934,642.
d	Amounts included on Part I, line 17, but not on line a :			
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) _____	d2		
	Add lines d1 and d2		d	
e	Total expenses (Part I, line 17). Add lines c and d		e	87,934,642.

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 and deferred compensation plans	(E) Expense account and other allowances
See Statement 12		2,037,673.	0.	0.

Part VI Other Information (continued)

		Yes	No
82a	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	
82b	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.)	Not Valued	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83b	Did the organization comply with the disclosure requirements relating to <i>quid pro quo</i> contributions?	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
84b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	N/A	
85a	501(c)(4), (5), or (6) organizations Were substantially all dues nondeductible by members?	N/A	
85b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	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.			
85c	Dues, assessments, and similar amounts from members	N/A	
85d	Section 162(e) lobbying and political expenditures	N/A	
85e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	N/A	
85f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	N/A	
85g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	N/A	
85h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	N/A	
86a	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12	N/A	
86b	Gross receipts, included on line 12, for public use of club facilities	N/A	
87a	501(c)(12) organizations. Enter: a Gross income from members or shareholders	N/A	
87b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	N/A	
88a	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
88b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' complete Part XI		X
89a	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>		
89b	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
89c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <u>0.</u>		
89d	Enter: Amount of tax on line 89c, above, reimbursed by the organization <u>0.</u>		
89e	All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
89f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
89g	For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
90a	List the states with which a copy of this return is filed <u>CA</u>		
90b	Number of employees employed in the pay period that includes March 12, 2006 (See instructions)		901
91a	The books are in care of <u>Richard Rodriguez</u> Telephone number <u>866-784-0088</u> Located at <u>505 Montgomery Street, Ste 963, San Francisco CA</u> ZIP + 4 <u>94111</u>		
91b	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></u>		X

See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106 Did the reporting organization **make** any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
Totals				

107 Did the reporting organization **receive** any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If 'Yes,' complete the schedule below for each controlled entity

Yes	No
	X

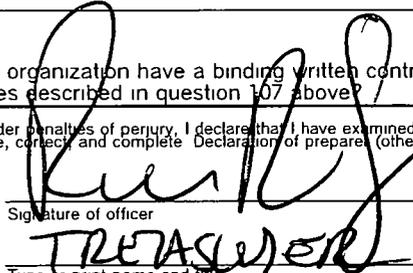
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	-----			
b	-----			
c	-----			
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Yes	No
	X

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:  Date: 4-22-2015

Type or print name and title: **TREASURER**

Paid Preparer's Use Only

Preparer's signature:  Date: 4/21/10

Firm's name (or yours if self-employed), address, and ZIP + 4: Fontanello, Duffield & Otake, LLP
44 Montgomery Street, Suite 2019
San Francisco, CA 94104

Check if self-employed: Preparer's SSN or PTIN (See General Instruction W): N/A

EIN: N/A Phone no: (415) 983-0200

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

2006

Name of the organization **Pacific Education Foundation
formerly Heald College** Employer identification number **94-2398206**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See 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 and deferred compensation	(e) Expense account and other allowances
See Statement 14		855,000.	0.	0.
Total number of other employees paid over \$50,000 ▶	230			

Part II -- A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See 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
See Statement 15		321,427.
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 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 instructions.)

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 ▶ \$ N/A

(Must equal amounts on line 38, Part VI-A, or line i of Part VI-B)

	Yes	No
1		X

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.

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?

2a		X
-----------	--	---

b Lending of money or other extension of credit?

2b		X
-----------	--	---

c Furnishing of goods, services, or facilities?

2c		X
-----------	--	---

See Form 990, Part V

d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?

2d	X	
-----------	---	--

e Transfer of any part of its income or assets?

2e		X
-----------	--	---

3a Did the organization make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how the organization determines that recipients qualify to receive payments.)

Stmnt 16

3a	X	
-----------	---	--

b Did the organization have a section 403(b) annuity plan for its employees?

3b	X	
-----------	---	--

c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If 'Yes,' attach a detailed statement

3c		X
-----------	--	---

d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?

3d		X
-----------	--	---

4a Did the organization maintain any donor advised funds? If 'Yes,' complete lines 4b through 4g. If 'No,' complete lines 4f and 4g

4a		X
-----------	--	---

b Did the organization make any taxable distributions under section 4966?

4b		X
-----------	--	---

c Did the organization make a distribution to a donor, donor advisor, or related person?

4c		X
-----------	--	---

d Enter the total number of donor advised funds owned at the end of the tax year ▶ _____

e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year ▶ _____

f Enter the total number of separate funds or accounts owned at the end of the tax year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts ▶ _____

g Enter the aggregate value of assets held in all funds or accounts included on line 4f at the end of the tax year ▶ _____

Part IV Reason for Non-Private Foundation Status (See instructions.)

I certify that 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 otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization. ▶
 Type I Type II Type III-Functionally Integrated Type III-Other

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

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total					0.

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	N/A				
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					
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 N/A				26a
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 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts.					26b
c Total support for section 509(a)(1) test. Enter line 24, column (e)					26c
d Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____					26d
e Public support (line 26c minus line 26d total)					26e
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f %
27 Organizations described on line 12: N/A					
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: (2005) _____ (2004) _____ (2003) _____ (2002) _____					
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. (2005) _____ (2004) _____ (2003) _____ (2002) _____					
c Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					27c
d Add: Line 27a total _____ and line 27b total _____					27d
e Public support (line 27c total minus line 27d total)					27e
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)					27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, 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. N/A					

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

Statement 1
Form 990, Part I, Line 8
Net Gain (Loss) from Noninventory Sales

Publicly Traded Securities

Gross Sales Price: 563,515.
 Cost or Other Basis: 0.

Total Gain (Loss) Publicly Traded Securities \$ 563,515.

Other Assets

Description:	Gain/Loss on Sale of Assets
Date Acquired:	Various
How Acquired:	Purchase
Date Sold:	Various
To Whom Sold:	
Gross Sales Price:	201,621.
Cost or Other Basis:	0.

Gain (Loss) 201,621.

Total Gain (Loss) Other Assets \$ 201,621.

Total Net Gain (Loss) From Noninventory Sales \$ 765,136.

Statement 2
Form 990, Part I, Line 10
Gross Profit (Loss) From Sales Of Inventory

Bookstore Sales	\$ 7,939,968.
Gross Sales	\$ 7,939,968.
Less Returns & Allowances	0.
Net Sales	\$ 7,939,968.
Less Cost Of Goods Sold	5,715,337.
Gross Profit From Sales Of Inventory	\$ <u>2,224,631.</u>

Statement 3
Form 990, Part I, Line 20
Other Changes in Net Assets or Fund Balances

Pr Yr Overstmnt - Accounts Receivable	\$ -2,579,559.
Pr Yr Undrstmnt - Settlement Liability	-5,968,369.
Total	\$ <u>-8,547,928.</u>

Statement 4
Form 990, Part II, Line 25a
Compensation of Officers, Directors, Etc.

Compensation Received	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
John Richmond	185,000.	159,100.	25,900.	0.
John Keim	180,000.	154,800.	25,200.	0.
Stan Phillips	175,000.	150,500.	24,500.	0.
Michelle Kwait	175,000.	150,500.	24,500.	0.
Amy Mcombs	300,000.	258,000.	42,000.	0.
Guy Bell	220,000.	189,200.	30,800.	0.
Eric Rajasalu	160,000.	137,600.	22,400.	0.
Aaron Brown	24,000.	20,640.	3,360.	0.
Kathleen Gillam	24,000.	20,640.	3,360.	0.
Stanley Hong	23,000.	19,780.	3,220.	0.
Richard Rodriguez	11,000.	9,460.	1,540.	0.
William Schlegel	16,000.	13,760.	2,240.	0.
Fran Streets	0.	0.	0.	0.
James Ware	24,000.	20,640.	3,360.	0.
David Young	24,000.	20,640.	3,360.	0.
Nolan Miura	296,673.	255,139.	41,534.	0.
Eeva Deshon	200,000.	172,000.	28,000.	0.
Total	\$ 2,037,673.	\$ 1,752,399.	\$ 285,274.	0.

Employee Benefit Plan Contribution	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
John Richmond	0.	0.	0.	0.
John Keim	0.	0.	0.	0.
Stan Phillips	0.	0.	0.	0.
Michelle Kwait	0.	0.	0.	0.
Amy Mcombs	0.	0.	0.	0.
Guy Bell	0.	0.	0.	0.
Eric Rajasalu	0.	0.	0.	0.
Aaron Brown	0.	0.	0.	0.
Kathleen Gillam	0.	0.	0.	0.
Stanley Hong	0.	0.	0.	0.
Richard Rodriguez	0.	0.	0.	0.
William Schlegel	0.	0.	0.	0.
Fran Streets	0.	0.	0.	0.
James Ware	0.	0.	0.	0.
David Young	0.	0.	0.	0.
Nolan Miura	0.	0.	0.	0.
Eeva Deshon	0.	0.	0.	0.
Total	\$ 0.	\$ 0.	\$ 0.	0.

Expense Acct. & Other Allowances	(A)	(B)	(C)	(D)
Name	Total	Program Services	Management & General	Fundraising
John Richmond	0.	0.	0.	0.
John Keim	0.	0.	0.	0.
Stan Phillips	0.	0.	0.	0.
Michelle Kwait	0.	0.	0.	0.
Amy Mcombs	0.	0.	0.	0.
Guy Bell	0.	0.	0.	0.
Eric Rajasalu	0.	0.	0.	0.
Aaron Brown	0.	0.	0.	0.
Kathleen Gillam	0.	0.	0.	0.

Statement 4 (continued)
Form 990, Part II, Line 25a
Compensation of Officers, Directors, Etc.

Stanley Hong	0.	0.	0.	0.
Richard Rodriguez	0.	0.	0.	0.
William Schlegel	0.	0.	0.	0.
Fran Streets	0.	0.	0.	0.
James Ware	0.	0.	0.	0.
David Young	0.	0.	0.	0.
Nolan Miura	0.	0.	0.	0.
Eeva Deshon	0.	0.	0.	0.
Total	\$ 0.	\$ 0.	\$ 0.	\$ 0.

Statement 5
Form 990, Part II, Line 43
Other Expenses

	(A) <u>Total</u>	(B) <u>Program Services</u>	(C) <u>Management & General</u>	(D) <u>Fundraising</u>
Advertising/Marketing	9,371,309.	9,371,309.		
Bad Debt Collection Fees	105,745.	105,745.		
Bad Debt Expense	4,959,017.	4,959,017.		
Bank Fees	121,430.		121,430.	
Consulting Fees	656,645.		656,645.	
Contract Services	123,392.	123,392.		
Due & Subscriptions	191,114.	191,114.		
Employee Recruitment	248,664.	248,664.		
Insurance	404,350.	177,914.	226,436.	
Other Expenses/Non-Operating	2,532,146.		2,532,146.	
Property Taxes	24,404.	24,404.		
Software Write-off	563,173.		563,173.	
Student Services	105,731.	105,731.		
Transaction & Real Estate Cost	3,255,022.		3,255,022.	
Trustee Stipends	290,000.		290,000.	
Total	\$22,952,142.	\$15,307,290.	\$ 7,644,852.	\$ 0.

Statement 6
Form 990, Part IV, Line 54a
Investments - Publicly Traded Securities

<u>Other Publicly Traded Securities</u>	<u>Valuation Method</u>	<u>Amount</u>
Marketable Securities	Market Value	\$ 13,268.
	Total	\$ 13,268.
Publicly Traded Securities		<u>\$ 13,268.</u>

Statement 7
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

Category	Basis	Accum. Deprec.	Book Value
Furniture and Fixtures	\$ 21,642,114.	\$ 17,114,897.	\$ 4,527,217.
Buildings	31,477,996.	13,381,185.	18,096,811.
Improvements	14,687,193.	9,978,820.	4,708,373.
Land	9,770,280.		9,770,280.
Miscellaneous	9,824,945.	9,614,567.	210,378.
Total	<u>\$ 87,402,528.</u>	<u>\$ 50,089,469.</u>	<u>\$ 37,313,059.</u>

Statement 8
Form 990, Part IV, Line 58
Other Assets

Other Receivables		\$ 461,574.
	Total	<u>\$ 461,574.</u>

Statement 9
Form 990, Part IV, Line 65
Other Liabilities

Deferred Rent		\$ 2,595,031.
Interest Rate Swap		93,850.
US Dept Ed Settlement Liability		6,565,679.
	Total	<u>\$ 9,254,560.</u>

Statement 10
Form 990, Part IV-A, Line b(4)
Other Amounts

Bookstore Cost of Sales		\$ 5,715,337.
Non-operating Revenue		-201,621.
	Total	<u>\$ 5,513,716.</u>

Statement 11
Form 990, Part IV-B, Line b(4)
Other Amounts

Bookstore Cost of Sales		\$ 5,715,337.
Non-Oper/Other Expenses		-2,532,146.
Non-Oper/Transaction & Real Estate Costs		-3,255,022.
	Total	<u>\$ -71,831.</u>

Statement 12
Form 990, Part V-A
List of Officers, Directors, Trustees, and Key Employees

Name and Address	Title and Average Hours Per Week Devoted	Compen- sation	Contri- bution to EBP & DC	Expense Account/ Other
John Richmond 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP - IT 40	\$ 185,000.	\$ 0.	\$ 0.
John Keim 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP & CAO 40	180,000.	0.	0.
Stan Phillips 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP-Admissions 40	175,000.	0.	0.
Michelle Kwait 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP-HR 40	175,000.	0.	0.
Amy Mcombs 505 Montgomery St, Ste 963 San Francisco, CA 94111	Pres Emeritus 40	300,000.	0.	0.
Guy Bell 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP - Operation 40	220,000.	0.	0.
Eric Rajasalu 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP - Bus. Dev. 40	160,000.	0.	0.
Aaron Brown 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 8	24,000.	0.	0.
Kathleen Gillam 505 Montgomery St, Ste 963 San Francisco, CA 94111	Vice Chair 8	24,000.	0.	0.
Stanley Hong 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 10	23,000.	0.	0.
Richard Rodriguez 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 40	11,000.	0.	0.
William Schlegel 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 6	16,000.	0.	0.

Statement 12 (continued)
Form 990, Part V-A
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title and Average Hours Per Week Devoted</u>	<u>Compensation</u>	<u>Contribution to EBP & DC</u>	<u>Expense Account/ Other</u>
Fran Streets 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 12	\$ 0.	\$ 0.	\$ 0.
James Ware 505 Montgomery St, Ste 963 San Francisco, CA 94111	Chairman 12	24,000.	0.	0.
David Young 505 Montgomery St, Ste 963 San Francisco, CA 94111	Trustee 15	24,000.	0.	0.
Nolan Miura 505 Montgomery St, Ste 963 San Francisco, CA 94111	CEO & Pres 40	296,673.	0.	0.
Eeva Deshon 505 Montgomery St, Ste 963 San Francisco, CA 94111	SVP/CFO 40	200,000.	0.	0.
	Total	<u>\$ 2,037,673.</u>	<u>\$ 0.</u>	<u>\$ 0.</u>

Statement 13
Form 990, Part VIII
Relationship of Activities to the Accomplishment of Exempt Purposes

<u>Line #</u>	<u>Explanation of Activities</u>
93a	Interest earned on student contracts for tuition payments.
93b	Miscellaneous fees related to student enrollment, such as applications, visa, etc.
93c	Tuition payments received from students enrolled in education programs
102	Income from the sale of educational publications, electronic equipment and snack bar food items to attending students.

Statement 14
Schedule A, Part I
Compensation of Five Highest Paid Employees

<u>Name and Address</u>	<u>Title & Average Hours Worked</u>	<u>Compensation</u>	<u>Contribut. EBP & DC</u>	<u>Expense Account</u>
Carolyn Kovalski 505 Montgomery St, Ste 1100 San Francisco, CA 94111	Dir Campus Ops 40	180,000.	0.	0.

Statement 14 (continued)
Schedule A, Part I
Compensation of Five Highest Paid Employees

<u>Name and Address</u>	<u>Title & Average Hours Worked</u>	<u>Compen- sation</u>	<u>Contribut. EBP & DC</u>	<u>Expense Account</u>
Evelyn Schemmel 505 Montgomery St, Ste 1100 San Francisco, CA 94111	Dir Campus Ops 40	180,000.	0.	0.
Guy Adams 505 Montgomery St, Ste 1100 San Francisco, CA 94111	Dir Campus Ops 40	175,000.	0.	0.
Barbara Gordon 505 Montgomery St, Ste 1100 San Francisco, CA 94111	Dir Campus Ops 40	170,000.	0.	0.
James Sparkman 505 Montgomery St, Ste 1100 San Francisco, CA 94111	VP Strat Plning 40	150,000.	0.	0.
Total		\$ 855,000.	\$ 0.	\$ 0.

Statement 15
Schedule A, Part II-A
Compensation of Five Highest Paid Professional Service Contractors

<u>Name and Address</u>	<u>Type of Service</u>	<u>Compensation</u>
Mark Garrett 505 Montgomery Street, Ste 1100 San Francisco, CA 94111	Corp Retnt Spec	120,000.
Elaine Woodruff 505 Montgomery Street, Ste 1100 San Francisco, CA 94111	Assist Controller	141,440.
Maria Duenas 505 Montgomery Street, Ste 1100 San Francisco, CA 94111	FA Auditor	59,987.
Total		\$ 321,427.

Statement 16
Schedule A, Part III, Line 3a
Qualifications of Recipients Receiving Grants or Loans

Heald Scholarship High School Merit Program

High School Merit Scholarship- graduating High School seniors planning to enter Heald College for the July or October quarter in the year they graduate from High School are eligible to apply for a merit scholarship to be applied toward tuition. The Heald College Merit Scholarship Award was established to encourage deserving high school seniors with an added incentive to pursue their education. All high school seniors are eligible to apply for the High School Merit Scholarship.

Statement 16 (continued)
Schedule A, Part III, Line 3a
Qualifications of Recipients Receiving Grants or Loans

Eligibility requirements

- Meet the requirements for graduation from High School
- Interview with a Heald Admissions Advisor
- Complete a Heald College entrance evaluation
- Submit an application for enrollment

Application Procedures

1. Complete the Merit Scholarship Award Application and Essay (Exhibits A & B)
2. Submit two letters of recommendation from a teacher, counselor, employer, or adult professional who knows you
3. Provide verification of your grade point average (GPA)
4. Submit 1, 2, and 3 to your Heald College Admissions Advisor

Criteria for a High School Merit Scholarship

- Student must be admitted for fulltime enrollment at Heald College
- Applicant must be a high school senior graduating in the current year with a minimum of a 2.0 GPA and enrolling in the July or October quarter
- Student must have completed application process
- Student will be interviewed by campus Scholarship Committee and all applicants will be scored based on recommendations, interview, and essay. The resulting cumulative score determines the amount of the award.

Amount of Award

The amount of High Merit Scholarship awarded can range from a minimum of \$750 to a maximum of \$3,000 for the first academic year of fulltime attendance in the following increments: \$750, \$1,000, \$1,500, \$2,000, \$2,500, and \$3,000.

Students are not eligible to receive a High School Merit Scholarship for their second or successive academic year.

The total amount of High Merit Scholarships available each fiscal year will be based on the Campus approved budget for the fiscal year.

Conditions to earn and maintain a High School Merit Scholarship

- The award based on fulltime enrollment is either a day or evening program. Any change in the student's application that results in reducing the length of the student's program or a withdrawal from school will result in the immediate termination of the scholarship award. Any subsequent decision to extend the length of the student's program or return to school will not reinstate the scholarship once it has been terminated.
- A Heald Merit Scholarship applies to "tuition only." Thus if a student receives a State award that is also for "tuition only" the student should consider accepting the State award since it can be renewed for the second academic year.
- If a student is subsequently awarded a California (Cal) Grant after being awarded a Heald Merit Scholarship this will void the Heald merit scholarship.
- Student must maintain a cumulative GPA of at least 2.0 to retain the scholarship. If the student's cumulative GPA falls below 2.0 the student shall have one quarter to raise their cumulative GPA back to at least a 2.0. If student fails to return cumulative GPA back to the 2.0 level the student may be disqualified from receiving the remainder of the scholarship award.
- The merit scholarship is awarded based on a 9 month academic year and is pro-rated in three disbursements paid once a quarter for three quarters. Non-attendance in any quarter voids the disbursement for any future quarters.
- Students are allowed to change their field of study and class schedule from night to day or vice versa however there must be no reduction in the originally selected program length or negative disruption due to an early withdrawal from school.

Statement 17

Federal Form 990

Schedule A, Part V, Question 34a

Does the Organization receive assistance from a governmental agency

The Federal Pell grant is a title IV entitlement grant for undergraduate students. Eligibility is determined based on a federally mandated calculation. Federal SEOG is a need based title IV grant. Funds are allocated to schools under the campus based federal programs. Student eligibility and awards are determined based on the discretion of the school using the published federal guidelines.

LONG-TERM DEBT

CEFA Bonds

\$15 Million Bond—On April 1, 1999, the College issued \$15,000,000 of tax-free serial and term bonds through the California Educational Facilities Authority (“CEFA”). As of June 30, 2007 \$12,780,000 remained issued and outstanding (the “Bonds”). The Bonds bear interest at rates ranging from 4% to 5.45%.

The terms of the loan agreement include various covenants which provide, among other things, for the maintenance of the College’s unrestricted and temporarily restricted net assets equal to at least 200% of the Bonds and the maintenance of a debt service coverage ratio of no greater than 0.10:1.

The Bonds require that reserve funds amounting to the defined maximum annual debt service be maintained with the trustee for as long as the Bonds are outstanding. These reserve funds amounted to \$1,012,854 at June 30, 2007.

The Bonds are required to be collateralized by property with an appraised value at least equal to the principal amount of the Bonds outstanding. The Bonds are collateralized by an executed deed of trust for each of the College’s Milpitas facility, Rancho Cordova facility, and San Francisco corporate office. Additionally, the College has granted a collateral interest in all of its unrestricted gross revenues as defined to the trustee.

\$9.8 Million Bond—On March 7, 2003, the College issued \$9,800,000 of tax-free, private placement revenue bonds through CEFA. The bonds bear interest at the rate of 84% of the one-month London InterBank Offer Rate (“LIBOR”) plus 1.195%. The College simultaneously entered into a swap agreement with Wells Fargo Bank to fix the interest rate at 6.04%. The interest rate swap agreement matures on March 1, 2010, and has a notional amount of \$8,574,800 as of June 30, 2007. The fair value of the swap agreement as of June 30, 2007 was \$93,850 and is included as a liability on the statements of financial position.

The terms of the loan agreement include various covenants which provide, among other things, that the College shall not permit the Consolidated Adjusted EBITDA Coverage Ratio, as defined, to be less than a negative 2.5 to 1.0 at June 30, 2006; the College shall not permit the ratio of Consolidated Adjusted Total Liabilities to Consolidated Adjusted Total Net Operating Assets, as defined, to be greater than 1.75 to 1.00; and lastly the College shall not have a decrease in unrestricted net assets from operations greater than \$13,500,000 for the fiscal year ended June 30, 2006. As of June 30, 2006, the College was in compliance with the covenants.

Interest and principal payments are payable in monthly installments and the unpaid balance is due March 1, 2010. The bonds are collateralized by the deeds of trust for the College’s Fresno, Stockton, and Roseville facilities. As of June 30, 2007 \$8,574,800 of the balance remained outstanding.

Municipal Bonds—In July 1999, the College assumed \$334,000 of improvement bonds, in conjunction with its purchase of its Stockton facility. The bonds carry an interest rate that varies from 5.25% to 5.65%. Payments are made semiannually based on a fully amortized 15-year term. The final payment will be made in April 2013. The bonds are secured by a lien on the property (two parcels of two acres each), and payments are collected via the annual property tax bill. As of June 30, 2007 \$150,422 of the principal balance remained outstanding.

Line of Credit—The College has a line of credit under which it could borrow up to \$5,000,000 for operating expenses at an interest rate of the prime lending rate plus 0.5% (8.75% at June 30, 2007). The line of credit expires August 10, 2007. As of June 30, 2007, \$1,500,000 has been drawn against the line of credit. In addition, \$660,000 was held as security for this credit line..

Capital Leases—The College leases computers under capital lease arrangements. The outstanding amount as of June 30, 2007 is \$56,388.