

UNDER EXTENSION UNTIL 2 15 05
Return of Organization Exempt from Income Tax

OMB No 1545-0047

2004

Open to Public Inspection

Department of the Treasury Internal Revenue Service

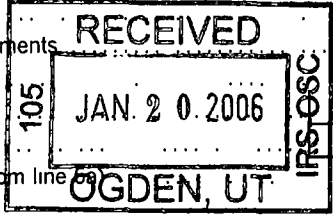
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

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

Form 990 header section including: A For the 2004 calendar year, or tax year beginning Jul 1, 2004, and ending Jun 30, 2005; B Check if applicable; C Name of organization Zion Development Corporation; D Employer Identification Number 36-3229794; E Telephone number (815) 964-8280; F Accounting method: Accrual; G Web site: N/A; J Organization type: 501(c) 3; K Check here if gross receipts are normally not more than \$25,000; L Gross receipts: 1,273,616.

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

Table with 21 rows and 3 columns: Description, Amount, and Total. Includes sections for Revenue (lines 1-12), Expenses (lines 13-17), and Net Assets (lines 18-21). Total revenue is 936,265 and total expenses is 1,051,331, resulting in a deficit of 115,066.



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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 (att sch) (cash \$ _____ non-cash \$ _____)	22			
23	Specific assistance to individuals (att sch)	23			
24	Benefits paid to or for members (att sch)	24			
25	Compensation of officers, directors, etc	25	54,468.	38,980.	15,488.
26	Other salaries and wages	26	254,609.	182,208.	72,401.
27	Pension plan contributions	27			
28	Other employee benefits	28			
29	Payroll taxes	29	31,573.	24,260.	7,313.
30	Professional fundraising fees	30			
31	Accounting fees	31	8,922.	272.	8,650.
32	Legal fees	32	8,825.	5,407.	3,418.
33	Supplies	33	4,766.	950.	3,816.
34	Telephone	34	5,625.	1,417.	4,208.
35	Postage and shipping	35	3,192.	-230.	3,422.
36	Occupancy	36	65,197.	65,002.	195.
37	Equipment rental and maintenance	37	30,976.	24,220.	6,756.
38	Printing and publications	38			
39	Travel	39	995.	540.	455.
40	Conferences, conventions, and meetings	40	435.	390.	45.
41	Interest	41	150,524.	121,223.	29,301.
42	Depreciation, depletion, etc (attach schedule)	42	98,772.	64,956.	33,816.
43	Other expenses not covered above (itemize):				
	a <u>Bad debt expense</u>	43a	10,423.	7,662.	2,761.
	b <u>Bank charges</u>	43b	764.	0.	764.
	c <u>Dues</u>	43c	3,130.	560.	2,570.
	d <u>Film & processing</u>	43d	156.	150.	6.
	e <u>See Other Expenses Stmt</u>	43e	317,979.	239,432.	53,123.
44	Total functional expenses (add lines 22 - 43). Organizations completing columns (B) - (D), carry these totals to lines 13 - 15	44	1,051,331.	777,399.	248,508.

Joint Costs. Check if you are following SOP 98-2.
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? <u>Provide job training, Rehab housing</u>	Program Service Expenses (Required for 501(c)(3) and (4) organizations 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) & (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants & allocations to others.)	
a <u>Housing Rehabilitation and Housing Program--seeks to motivate volunteers to work with trained staff to rehabilitate housing in depressed neighborhoods and to provide affordable housing for rent or sale to economically disadvantaged individuals.</u> (Grants and allocations \$ _____ 0.)	767,949.
b <u>Choppi Leadership Program and other program expenses</u> (Grants and allocations \$ _____ 0.)	9,450.
c _____ (Grants and allocations \$ _____)	
d _____ (Grants and allocations \$ _____)	
e Other program services (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	777,399.

Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A)		(B)
		Beginning of year		End of year
ASSETS	45 Cash – non-interest-bearing	72,232.	45	70,253.
	46 Savings and temporary cash investments	12,430.	46	6,528.
	47a Accounts receivable	47a		
	b Less: allowance for doubtful accounts	47b	47c	
	48a Pledges receivable	48a	45,505.	
	b Less: allowance for doubtful accounts	48b	0.	48c
	49 Grants receivable		41,666.	49
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)			50
	51a Other notes & loans receivable (attach sch)	51a	1,567,756.	
	b Less: allowance for doubtful accounts	51b		51c
	52 Inventories for sale or use		1,567,756.	52
	53 Prepaid expenses and deferred charges			53
	54 Investments – securities (attach schedule)			54
	55a Investments – land, buildings, & equipment, basis	55a	1,495,538.	
b Less: accumulated depreciation (attach schedule) L-55 Stmt	55b	439,900.	55c	
56 Investments – other (attach schedule) L-56 Stmt		925,532.	56	
57a Land, buildings, and equipment, basis	57a	908,312.		
b Less: accumulated depreciation (attach schedule) L-57 Stmt	57b	170,965.	57c	
58 Other assets (describe ▶ See Line 58 Stmt)		144,575.	58	
59 Total assets (add lines 45 through 58) (must equal line 74)		4,844,998.	59	
LIABILITIES	60 Accounts payable and accrued expenses	40,360.	60	87,673.
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		3,780,038.	64b
	65 Other liabilities (describe ▶ See Line 65 Stmt)		83,165.	65
66 Total liabilities (add lines 60 through 65)		3,903,563.	66	
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		838,604.	67
	68 Temporarily restricted		102,831.	68
	69 Permanently restricted			69
	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; column (B) must equal line 21)		941,435.	73	
74 Total liabilities and net assets/fund balances (add lines 66 and 73)		4,844,998.	74	

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.

BAA

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

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

a	Total revenue, gains, and other support per audited financial statements	a	975,081.
b	Amounts included on line a but not on line 12, Form 990:		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify):		
	----- \$		
	Add amounts on lines (1) through (4)	b	
c	Line a minus line b	c	975,081.
d	Amounts included on line 12, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify):		
	Special events \$ -38,816.		
	Add amounts on lines (1) and (2)	d	-38,816.
e	Total revenue per line 12, Form 990 (line c plus line d)	e	936,265.

a	Total expenses and losses per audited financial statements	a	1,090,147.
b	Amounts included on line a but not on line 17, Form 990:		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify):		
	Special events \$ 38,816.		
	Add amounts on lines (1) through (4)	b	38,816.
c	Line a minus line b	c	1,051,331.
d	Amounts included on line 17, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify):		
	----- \$		
	Add amounts on lines (1) and (2)	d	
e	Total expenses per line 17, Form 990 (line c plus line d)	e	1,051,331.

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated; see 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	(E) Expense account and other allowances
Brad Roos 524 7th Street Rockford, IL 61104	Executive Director 40	54,468.	0.	0.
Ricky Bates 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Rev. Denver Bitner 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Nathan Bryant 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Kohnne Bippus 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
See List of Officers, Etc. Statement		0.	0.	0.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? Yes No
If 'Yes,' attach schedule -- see instructions.

Part VI Other Information (See instructions.)		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If 'Yes,' attach a conformed copy of the changes.		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
78b	If 'Yes,' has it filed a tax return on Form 990-T for this year?		X
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		X
81a	Enter direct and indirect political expenditures. See line 81 instructions. 81 a 0.		
81b	Did the organization file Form 1120-POL for this year?		X
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.)		
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 quid pro quo 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?		
85a	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?		
85b	b Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
85c	c Dues, assessments, and similar amounts from members		
85d	d Section 162(e) lobbying and political expenditures		
85e	e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
85f	f Taxable amount of lobbying and political expenditures (line 85d less 85e)		
85g	g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
85h	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?		
86a	86 501(c)(7) organizations Enter: a Initiation fees and capital contributions included on line 12		
86b	b Gross receipts, included on line 12, for public use of club facilities		
87a	87 501(c)(12) organizations. Enter: a Gross income from members or shareholders		
87b	b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
88	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
89a	89a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 N/A ; section 4912 N/A ; section 4955 N/A		
89b	b 501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction		X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 0.			
d Enter: Amount of tax on line 89c, above, reimbursed by the organization			
90a	90a List the states with which a copy of this return is filed Illinois		
90b	b Number of employees employed in the pay period that includes March 12, 2004 (See instructions.)	15	
91	91 The books are in care of Brad Roos Telephone number (815) 964-8280 Located at 524 7th Street, Rockford IL ZIP + 4 61104		
92	92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year 92		

Part VII Analysis of Income-Producing Activities (See 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) Exclusion code	(D) Amount	
93 Program service revenue:					
a Developer & other fees					165,512.
b Rental income					148,053.
c					
d					
e					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	57,904.	
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					185,665.
101 Net income or (loss) from special events					-12,947.
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b Miscellaneous					42,712.
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				57,904.	528,995.
105 Total (add line 104, columns (B), (D), and (E))					586,899.

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 instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93a-b	All program service revenue is used to implement program objectives
100	The revenue from the sale of the buildings was used to implement program objectives.
103b	All miscellaneous revenues are used to implement program objectives

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See instructions.) N/A

(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
	0			
	0			
	0			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See 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: *Michael J. Gallagher* Date: 1/10/06

Type or print name and title: MICHAEL J. GALLAGHER

Paid Preparer's Use Only

Preparer's signature: *Charles D. ...* Date: 10/26/05

Check if self-employed:

Preparer's SSN or PTIN (See General Instruction W)

Firm's name (or yours if self-employed), address, and ZIP + 4: M B K & K, LLC
6815 Weaver Rd. Suite 100
Rockford IL 61114

EIN: Phone no: (815) 282-6565

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under
Section 501(c)(3)

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust
Supplementary Information — (See separate instructions.)

2004

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the organization Zion Development Corporation	Employer identification number 36-3229794
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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
None				
Total number of other employees paid over \$50,000	None			

Part II 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
None		
Total number of others receiving over \$50,000 for professional services	None	

Part III Statements About Activities (See 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.)		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?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
See Part V, Form 990		
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	X	
e Transfer of any part of its income or assets?		X
3a Do you make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how you determine that recipients qualify to receive payments.)		X
b Do you have a section 403(b) annuity plan for your employees?		X
4a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

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

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

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶ _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions — subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

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

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See 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) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	315,755.	377,570.	503,253.	512,651.	1,709,229.
16 Membership fees received	0.	0.	0.	0.	0.
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	361,402.	569,317.	1,471,735.	964,841.	3,367,295.
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	57,970.	54,744.	59,457.	14,548.	186,719.
19 Net income from unrelated business activities not included in line 18	0.	0.	0.	0.	0.
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf	0.	0.	0.	0.	0.
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	0.	0.	0.	0.	0.
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets See L-22 Stmt	25,462.	0.	14,313.	10,570.	50,345.
23 Total of lines 15 through 22	760,589.	1,001,631.	2,048,758.	1,502,610.	5,313,588.
24 Line 23 minus line 17	399,187.	432,314.	577,023.	537,769.	1,946,293.
25 Enter 1% of line 23	7,606.	10,016.	20,488.	15,026.	
26 Organizations described on lines 10 or 11:					
a Enter 2% of amount in column (e), line 24					26a 38,926.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2000 through 2003 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 14,074.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 1,946,293.
d Add: Amounts from column (e) for lines:	18 186,719.	19 0.			
	22 50,345.	26b 14,074.			26d 251,138.
e Public support (line 26c minus line 26d total)					26e 1,695,155.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 87.10 %
27 Organizations described on line 12:					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year: (2003) _____ (2002) _____ (2001) _____ (2000) _____					
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2003) _____ (2002) _____ (2001) _____ (2000) _____					
c Add: Amounts from column (e) for lines:	15 _____	16 _____			
	17 _____	20 _____	21 _____		
d Add: Line 27a total _____ and line 27b total _____					27c _____
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 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See instructions.)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

		N/A	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?	29		
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?	30		
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?	31		
If 'Yes,' please describe; if 'No,' please explain. (If you need more space, attach a separate statement.)				

32	Does the organization maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by the organization or on its behalf to solicit contributions?	32d		
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?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance?	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extracurricular activities?	33h		
If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.)				

34a	Does the organization receive any financial aid or assistance from a governmental agency?	34a		
b	Has the organization's right to such aid ever been revoked or suspended?	34b		
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.	35		

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

N/A

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

Limits on Lobbying Expenditures

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

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount. Enter the amount from the following table –		
If the amount on line 40 is –		
Not over \$500,000		
Over \$500,000 but not over \$1,000,000		
Over \$1,000,000 but not over \$1,500,000		
Over \$1,500,000 but not over \$17,000,000		
Over \$17,000,000		
The lobbying nontaxable amount is –		
20% of the amount on line 40		
\$100,000 plus 15% of the excess over \$500,000		
\$175,000 plus 10% of the excess over \$1,000,000	41	
\$225,000 plus 5% of the excess over \$1,500,000		
\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

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

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots non-taxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See 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

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Name Zion Development Corporation	Employer Identification Number 36-3229794
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Part I, Line 8, Column (A) Securities

Public Securities

Description	Gross Sales Price	Basis	
		Cost	Selling Expenses
Publicly Traded Securities			

Nonpublic Securities

Description	Date Acquired and Method	Date Sold and to Whom	Gross Sales Price	Cost, other basis or FMV when donated (State which on top)
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----

Total Securities

Gain or (Loss) from Sale of Securities

Part I, Line 8, Column (B) Other Assets

Description	Date Acquired and Method	Date Sold and to Whom	Gross Sales Price	Cost, other basis or FMV when donated	
				Cost	Depreciation
902 5th Ave Land & building	11/30/87 Purchase	02/04/05 Zion Lutheran Church	114,300.	139,814. -79,036. 60,778.	Donation FMV
910 5th Ave Land & building	01/30/90 Purchase	02/04/05 Zion Lutheran Church	97,500.	125,239. -64,281. 60,958.	Donation FMV
911 4th Ave Land & building	04/30/91 Purchase	11/30/04 Natalie Pepa & Sand	60,500.	86,981. -39,985. 46,996.	Donation FMV
-----	-----	-----	-----	222,529. -92,726. 129,803.	-----
See Sale of Other Assets	-----	-----	211,900.	-----	Donation FMV

Total Other Assets 484,200. 298,535.

Gain or (Loss) from Sale of Other Assets 185,665.

Form 990, Page 1, Part I, Line 9

Special Events and Activities Statement

List of Three Largest Events and Type and Number of Others	Gross Receipts	Less Contributions	Gross Revenue	Less Direct Expenses	Net Income (Loss)
Restaurant	25,869.	0.	25,869.	38,816.	-12,947.
Total	<u>25,869.</u>	<u>0.</u>	<u>25,869.</u>	<u>38,816.</u>	<u>-12,947.</u>

Form 990, Page 2, Part II, Line 43

Other Expenses Stmt

Other expenses not covered above (itemize):	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Insurance	89,317.	72,480.	16,837.	0.
Miscellaneous	10,494.	5,046.	5,448.	0.
Restaurant - misc	22,884.	0.	22,884.	0.
Grand Apartments	54,827.	54,827.	0.	0.
Wellness program	78,300.	78,300.	0.	0.
Temporary help	-1,509.	-1,874.	365.	0.
Professional fees	3,665.	3,665.	0.	0.
Vehicle expense	2,134.	2,134.	0.	0.
Payroll expenses	1,985.	0.	1,985.	0.
Fund-raising	25,424.	0.	0.	25,424.
Long-range planning	4,837.	0.	4,837.	0.
Outside contractors	4,500.	4,500.	0.	0.
Misc. closing costs	20,230.	20,230.	0.	0.
Meals & entertainment	891.	124.	767.	0.
Total	<u>317,979.</u>	<u>239,432.</u>	<u>53,123.</u>	<u>25,424.</u>

Form 990, Page 3, Part IV, Line 56

Investments - Other Statement

Line 56 – Investments - Other:	Beginning of Year	End of Year
Investment in LLC - Longwood Plaza	310,653.	310,653.
Investment in LLC - 528 Seventh Street	32,626.	32,626.
Investment in LP - Grand Apartments	582,253.	582,253.
Total	<u>925,532.</u>	<u>925,532.</u>

Form 990, Page 3, Part IV, Lines 55a & 55b

Investments - Land, Buildings and Equipment Statement

	(a) Cost/Other Basis	(b) Accumulated Depreciation	(c) Book Value
Rental properties	1,371,570.	439,900.	931,670.
Property held for development and sale	123,968.	0.	123,968.

Form 990, Page 3, Part IV, Lines 55a & 55b

Continued

Investments - Land, Buildings and Equipment Statement

	(a) Cost/Other Basis	(b) Accumulated Depreciation	(c) Book Value
Total	<u>1,495,538.</u>	<u>439,900.</u>	<u>1,055,638.</u>

Form 990, Page 3, Part IV, Lines 57a & 57b

Land, Buildings and Equipment Statement

	(a) Cost/Other Basis	(b) Accumulated Depreciation	(c) Book Value
Land	41,750.	0.	41,750.
Office buildings	201,101.	70,249.	130,852.
Building improvements	165,977.	12,545.	153,432.
Office equipment	55,065.	42,966.	12,099.
Restaurant equipment	16,500.	1,100.	15,400.
Woodworking equipment	10,798.	6,037.	4,761.
Construction in progress	375,850.	0.	375,850.
Vehicles	41,271.	38,068.	3,203.
Total	<u>908,312.</u>	<u>170,965.</u>	<u>737,347.</u>

Form 990, Page 3, Part IV, Line 58

Other Assets Statement

Line 58 - Other Assets:	Beginning of Year	End of Year
Developer fee receivable- Longwood Plaza, LP	126,876.	106,687.
Due from affiliates	15,297.	21,544.
Franchise fee	0.	2,500.
Goodwill	0.	8,166.
Other assets	2,402.	4,593.
Total	<u>144,575.</u>	<u>143,490.</u>

Form 990, Page 3, Part IV, Line 65

Other Liabilities Statement

Line 65 - Other Liabilities:	Beginning of Year	End of Year
Tenant deposits	11,817.	5,923.
Accrued payroll	22,085.	0.
Accrued real estate taxes	48,041.	34,222.
Other long term liabilities	1,222.	6,123.
Total	<u>83,165.</u>	<u>46,268.</u>

Form 990, Page 4, Part V
 List of Officers, Etc. Statement

(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	(E) Expense account and other allowances
Nancy Chalman 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Anton Cooper 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
John Crone 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Jill Diamond 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Doris English 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Michael Gallagher 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Robert Huffington 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Maralyn Johnson 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Richard L. Johnson 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Curtis Reynolds 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Peter Roche 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Peter Schultz 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
June Salyer 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.
Don Weir 524 7th Street Rockford, IL 61104	Board of Directors 2	0.	0.	0.

Total

0.	0.	0.
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Schedule A, Part IV-A, Line 22

Other Income

Description	(a) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
Miscellaneous	25,462.	0.	14,313.	10,570.	50,345.
Total	<u>25,462.</u>	<u>0.</u>	<u>14,313.</u>	<u>10,570.</u>	<u>50,345.</u>

Schedule of Gains and Losses from Sale of Assets

Sale of Other Assets

Description	Date Acquired and Method	Date Sold and to Whom	Gross Sales Price	Cost, other basis or FMV when donated	
518 5th St Land & building	01/22/87 Purchase	02/04/05 Zion Lutheran Chur	57,900.	Cost Depreciation Basis	69,661. -39,553. 30,108.
907 4th Ave Land & building	08/22/91 Purchase	07/23/04 Joe Dunn & Vickie	60,000.	Donation FMV	
921 6th Ave Land & building	06/30/89 Purchase	03/31/05 Marsha McKibben	40,000.	Cost Depreciation Basis	32,563. -16,174. 16,389.
313 & 309 S 4th Building	02/01/00 Purchase	05/24/05 Ahmad Sabet	32,000.	Donation FMV	
319 S 4th Building	01/01/03 Purchase	10/05/04 Nicole Harrington	22,000.	Cost Depreciation Basis	20,000. -1,222. 18,778.
				Donation FMV	
					222,529.
					-92,726.
					<u>129,803.</u>
Totals			<u>211,900.</u>		

Supporting Statement of:

Form 990 p 3/Line 51a

Description	Amount
Longwood Plaza - Zion advanced the proceeds of a note payable to Longwood Plaza, LLC. The LLC is required to pay interest monthly of \$4,805 to Zion through October 2013. No principal payments are required on the note prior to maturity and it is expected the note payable will be forgiven and once the note payable is forgiven, Zion may, at its own discretion, elect to forgive the note receivable from the LLC or otherwise renegotiate its terms.	1,517,500.
528 Seventh Street - Note receivable relating to the residential portion of development for the building at 528 Seventh Street. The note has a variable interest rate which adjusts with the project's construction loan of prime plus 3.5% (9.75% at June 30, 2005) with payments required only as cash flow permits and a final maturity of September 1, 2011.	50,256.
Total	<u>1,567,756.</u>

Zion Development Corporation
36-3229794
Attachment to 2004 Form 990
Part IV, Line 64b, Schedule of Notes Payable

	<u>2005</u>	<u>2004</u>
Line of credit at a Bank, stated interest rate of 1% over prime, due November 2005, secured by a blanket security agreement	464,333	668,500
Line of credit at a Bank, stated interest rate of 1% over prime, due September 2005, secured by a blanket security agreement	30,950	-
Bank note payable in monthly installments of \$1,800 with interest at 6.50% due January 2009 – secured by a mortgage	229,691	236,904
Illinois Housing Development Authority note payable in monthly installments of \$853 with 0.0% interest through December 2023 – secured by a mortgage	191,140	201,373
Note payable to local community foundation, interest of \$4,750 payable monthly, principal expected to be forgiven October 10, 2013 provided certain provisions are met	1,517,500	1,517,500
Two single payment bank notes due November 2005 with interest due monthly at prime plus 1 % secured by real estate mortgages (1 remaining at June 30, 2005)	22,000	37,900
Eight bank notes payable with interest due monthly at 6.9% through March 2004 then with monthly installments totaling \$2,373 with interest at 6.90% interest through December 2006 – secured by a mortgage (1 remaining at June 30, 2005)	46,987	283,891
National Loan Service Center note payable in monthly installments of \$56 with 3.25% interest through September 2012 – secured by a mortgage	875	1,549
Note with the Illinois Facilities Fund in the maximum amount of \$102,915 with interest due monthly at 6.98% until fully disbursed, monthly payments of \$924 will be required through October 2016 – secured by mortgage	87,133	91,416
Other equipment notes payable in monthly installments with 5.90% to 9.25% interest through May 2006 – secured by equipment	3,610	7,461
Bank note with interest of prime plus 1% payable semiannually and principal due August 2004	-	17,772
Bank note payable due November 2005 with interest due monthly at prime plus 1% – secured by blanket security agreement	19,076	19,076
Bank note payable with interest at 4.8% due at maturity, September 2004	32,008	32,008
Bank note payable with interest due monthly at 6.75% through August 2004 then with monthly installments of \$1,085 with 6.75% interest through February 2007	113,656	114,475
Single payment bank note due November 2005 with interest due monthly at prime plus 1% secured by real estate mortgage	114,442	114,442
Bank note payable with interest due monthly at 6.75% through September 2004 then in monthly installments of \$270 with 6.75% interest through July 2006	35,606	35,669
Single payment bank note due November 2005 with interest due		

Zion Development Corporation
 36-3229794
 Attachment to 2004 Form 990
 Part IV, Line 64b, Schedule of Notes Payable

	<u>2005</u>	<u>2004</u>
monthly at prime plus 1% secured by real estate mortgage	50,000	50,000
Two notes with Friends of Zion of \$10,000 each due October 10, 2004 and December 6, 2004, including interest at 6.5% due annually (1 remaining at 6/30/05)	10,000	20,000
Note with Friends of Zion of \$15,000 due January 17, 2007, including interest at 2.9% due annually	15,000	15,000
Bank note payable with interest due monthly at 6.75% through June 2004 then with monthly installments of \$188 including interest at 6.75% through November 2005 secured by a mortgage	12,650	12,878
Bank note payable with annual installments of \$10,000 including interest at 6.75% with remaining principal and interest due in April 2008	26,672	34,324
Bank note payable due November 2005 with interest due monthly at prime plus 1% secured by a mortgage	23,100	23,100
Bank note payable due November 2005 with interest due monthly at prime plus 1%	224,000	-
Bank note payable due October 2009 due in monthly installments of \$520 including interest at 6.75% and one lump final payment	66,510	-
Note with Friends of Zion of \$10,000 due October 1, 2005, including interest at 1.9% due annually	10,000	-
Deferred Mortgages - During fiscal year 2000 the Federal Home Loan Bank of Indianapolis advanced \$244,800 in the form of a 30 year note payable for the Grand Apartments project. Payments are not required during the term of the note as long as the apartments are maintained and used for adult men and women who are homeless or at risk of becoming homeless.	244,800	244,800
	<u>3,591,739</u>	<u>3,780,038</u>