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Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation

Note. The foundation may be able to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0052
2009

For calendar year 2009, or tax year beginning 05-01-2009 , and ending 04-30-2010

G

Check all that apply

☐ Initial return

☐ Initial return of a former public charity

☐ Final return

☐ Amended return

☐ Address change

☐ Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of foundation GROTTO FOUNDATION INC		A Employer identification number 41-6052604	
	Number and street (or P O box number if mail is not delivered to street address) 1315 RED FOX ROAD No 100		Room/suite	B Telephone number (see page 10 of the instructions) (651) 209-8010
	City or town, state, and ZIP code ARDEN HILLS, MN 551126941		C If exemption application is pending, check here ☐	
			D 1. Foreign organizations, check here ☐	

H Check type of organization ☒ Section 501(c)(3) exempt private foundation		2. Foreign organizations meeting the 85% test, check here and attach computation ☐	
☐ Section 4947(a)(1) nonexempt charitable trust		☐ Other taxable private foundation	

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) \$ 22,295,624	J Accounting method ☐ Cash ☒ Accrual ☐ Other (specify) (Part I, column (d) must be on cash basis.)	E If private foundation status was terminated under section 507(b)(1)(A), check here ☐	
		F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ☐	

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions))		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc , received (attach schedule)				
	2 Check ☒ if the foundation is not required to attach Sch B				
	3 Interest on savings and temporary cash investments	23,062	23,062		
	4 Dividends and interest from securities.	691,928	691,928		
	5a Gross rents				
	b Net rental income or (loss) _____				
	6a Net gain or (loss) from sale of assets not on line 10	85,601			
	b Gross sales price for all assets on line 6a 6,209,756				
	7 Capital gain net income (from Part IV , line 2)		85,601		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
Operating and Administrative Expenses	b Less Cost of goods sold				
	c Gross profit or (loss) (attach schedule)				
	11 Other income (attach schedule)	 31,630	18,238		
	12 Total. Add lines 1 through 11	832,221	818,829		
	13 Compensation of officers, directors, trustees, etc	146,653	4,400		142,253
	14 Other employee salaries and wages	111,867	1,119		110,748
	15 Pension plans, employee benefits	80,320	803		79,517
	16a Legal fees (attach schedule).				
	b Accounting fees (attach schedule).	 11,600	1,160		10,440
	c Other professional fees (attach schedule)	 119,911	119,911		0
	17 Interest				
	18 Taxes (attach schedule) (see page 14 of the instructions)	 25,350	374		15,676
	19 Depreciation (attach schedule) and depletion	6,688	67		
	20 Occupancy	4,869	49		4,820
	21 Travel, conferences, and meetings	4,862	49		4,813
	22 Printing and publications	7,137	71		7,066
	23 Other expenses (attach schedule)	 20,215	201		20,014
	24 Total operating and administrative expenses.				
	Add lines 13 through 23	539,472	128,204		395,347
	25 Contributions, gifts, grants paid	215,500			322,500
	26 Total expenses and disbursements. Add lines 24 and 25	754,972	128,204		717,847
	27 Subtract line 26 from line 12				
	a Excess of revenue over expenses and disbursements	77,249			
	b Net investment income (if negative, enter -0-)		690,625		
	c Adjusted net income (if negative, enter -0-)				

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)	Beginning of year	End of year	
			(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1	Cash—non-interest-bearing			
	2	Savings and temporary cash investments	744,960	1,930,082	1,930,082
	3	Accounts receivable ▶ _____ Less allowance for doubtful accounts ▶ _____			
	4	Pledges receivable ▶ _____ 75,000 Less allowance for doubtful accounts ▶ _____	55,000	75,000	75,000
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)			
	7	Other notes and loans receivable (attach schedule) ▶ _____ Less allowance for doubtful accounts ▶ _____			
	8	Inventories for sale or use			
	9	Prepaid expenses and deferred charges	10,631	11,164	11,164
	10a	Investments—U S and state government obligations (attach schedule)			
	b	Investments—corporate stock (attach schedule)	16,044,730	20,256,958	20,256,958
	c	Investments—corporate bonds (attach schedule).			
	11	Investments—land, buildings, and equipment basis ▶ _____ Less accumulated depreciation (attach schedule) ▶ _____			
	12	Investments—mortgage loans			
	13	Investments—other (attach schedule)			
	14	Land, buildings, and equipment basis ▶ _____ 190,400 Less accumulated depreciation (attach schedule) ▶ _____ 186,270	10,818	4,130	4,130
15	Other assets (describe ▶ _____)	11,722	18,290	18,290	
16	Total assets (to be completed by all filers—see the instructions Also, see page 1, item I)	16,877,861	22,295,624	22,295,624	
Liabilities	17	Accounts payable and accrued expenses	48,754	42,346	
	18	Grants payable	227,500	115,000	
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons			
	21	Mortgages and other notes payable (attach schedule)			
	22	Other liabilities (describe ▶ _____)			
	23	Total liabilities (add lines 17 through 22)	276,254	157,346	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ ☒ and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted	16,546,607	22,063,278	
	25	Temporarily restricted	55,000	75,000	
	26	Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ ☐ and complete lines 27 through 31.				
	27	Capital stock, trust principal, or current funds			
	28	Paid-in or capital surplus, or land, bldg , and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds			
	30	Total net assets or fund balances (see page 17 of the instructions)	16,601,607	22,138,278	
	31	Total liabilities and net assets/fund balances (see page 17 of the instructions)	16,877,861	22,295,624	

Part III Analysis of Changes in Net Assets or Fund Balances			
1	Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year’s return)	1	16,601,607
2	Enter amount from Part I, line 27a	2	77,249
3	Other increases not included in line 2 (itemize) ▶ _____	3	5,459,422
4	Add lines 1, 2, and 3	4	22,138,278
5	Decreases not included in line 2 (itemize) ▶ _____	5	0
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	22,138,278

Part IV

Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e g , real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co)		(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo , day, yr)	(d) Date sold (mo , day, yr)	
1a	See Additional Data Table				
b					
c					
d					
e					
(e) Gross sales price		(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale		
(h) Gain or (loss) (e) plus (f) minus (g)					
a	See Additional Data Table				
b					
c					
d					
e					
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(I) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))		
(i) F M V as of 12/31/69		(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any		
a	See Additional Data Table				
b					
c					
d					
e					
2	Capital gain net income or (net capital loss)		{ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }	2	85,601
3	Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions) If (loss), enter -0- in Part I, line 8		}	3	

Part V

Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☒ No
If "Yes," the foundation does not qualify under section 4940(e) Do not complete this part

1 Enter the appropriate amount in each column for each year, see page 18 of the instructions before making any entries				
(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))	
2008	1,338,019	19,428,915	0 068867	
2007	1,399,330	25,260,921	0 055395	
2006	1,388,352	24,615,790	0 056401	
2005	1,170,465	23,991,916	0 048786	
2004	1,219,416	23,035,015	0 052937	
2	Total of line 1, column (d).		2	0 282386
3	Average distribution ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years		3	0 056477
4	Enter the net value of noncharitable-use assets for 2009 from Part X, line 5.		4	19,369,931
5	Multiply line 4 by line 3.		5	1,093,956
6	Enter 1% of net investment income (1% of Part I, line 27b).		6	6,906
7	Add lines 5 and 6.		7	1,100,862
8	Enter qualifying distributions from Part XII, line 4.		8	717,847
If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions on page 18				

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see page 18 of the instructions)		
1a Exempt operating foundations described in section 4940(d)(2), check here ☐ and enter "N/A" on line 1 Date of ruling or determination letter _____ (attach copy of letter if necessary—see instructions)		
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here ☐ and enter 1% of Part I, line 27b		113,813
c All other domestic foundations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b)		
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		20
3 Add lines 1 and 2.		313,813
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		40
5 Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0-		513,813
6 Credits/Payments		
a 2009 estimated tax payments and 2008 overpayment credited to 2009	6a9,300	
b Exempt foreign organizations—tax withheld at source	6b	
c Tax paid with application for extension of time to file (Form 8868)	6c	
d Backup withholding erroneously withheld	6d	
7 Total credits and payments Add lines 6a through 6d.		79,300
8 Enter any penalty for underpayment of estimated tax Check here ☒ if Form 2220 is attached		8165
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed		94,678
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid.		10
11 Enter the amount of line 10 to be Credited to 2010 estimated tax Refunded		11

Part VII-A Statements Regarding Activities			
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?			YesNo
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.		1a	No
c Did the foundation file Form 1120-POL for this year?.		1b	No
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year (1) On the foundation \$ 0 (2) On foundation managers \$ 0		1c	No
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers \$ 0			
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities.		2	No
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes		3	No
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?.		4a	No
b If "Yes," has it filed a tax return on Form 990-T for this year?.		4b	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		5	No
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?		6	Yes
7 Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col (c), and Part XV		7	Yes
8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) MN			
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation .		8b	Yes
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV on page 27)? If "Yes," complete Part XIV		9	No
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses		10	No

Part VII-A

Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions).	11		No
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		No
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address  www.grottofoundation.org	13	Yes	
14	The books are in care of  ELLIS BULLOCK Telephone no  (651) 209-8010 Located at  1315 RED FOX ROAD SUITE 100 ARDEN HILLS MN ZIP+4  551126941			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 —Check here   and enter the amount of tax-exempt interest received or accrued during the year.		15	

Part VII-B

Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.			Yes	No
1a	During the year did the foundation (either directly or indirectly) (1) Engage in the sale or exchange, or leasing of property with a disqualified person?  Yes  No (2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?.  Yes  No (3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?  Yes  No (4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?  Yes  No (5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?.  Yes  No (6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days).  Yes  No			
b	If any answer is "Yes" to 1a(1)–(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)?.   Organizations relying on a current notice regarding disaster assistance check here. 	1b		No
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2009?. 	1c		No
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))			
a	At the end of tax year 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009?.  Yes  No If "Yes," list the years  20____, 20____, 20____, 20____			
b	Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement—see page 20 of the instructions). 	2b		
c	If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here  20____, 20____, 20____, 20____			
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?.  Yes  No			
b	If "Yes," did it have excess business holdings in 2009 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969, (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (<i>Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2009.</i>). 	3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a		No
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2009?	4b		No

Part VII-B

Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a	During the year did the foundation pay or incur any amount to			
	(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?	☐ Yes	☒ No	
	(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive?	☐ Yes	☒ No	
	(3) Provide a grant to an individual for travel, study, or other similar purposes?	☐ Yes	☒ No	
	(4) Provide a grant to an organization other than a charitable, etc , organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the instructions).	☐ Yes	☒ No	
	(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?	☐ Yes	☒ No	
b	If any answer is "Yes" to 5a(1)–(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 22 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here.	5b		
c	If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? <i>If "Yes," attach the statement required by Regulations section 53.4945–5(d).</i>			
6a	Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			
b	Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? <i>If "Yes" to 6b, file Form 8870.</i>	6b		No
7a	At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?			
b	If yes, did the foundation receive any proceeds or have any net income attributable to the transaction?	7b		

Part VIII

Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see page 22 of 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	(e) Expense account, other allowances
See Additional Data Table				
2 Compensation of five highest-paid employees (other than those included on line 1—see page 23 of the instructions). If 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, other allowances
LAVON LEE	GRANT MANAGER	67,272	2,695	0
1315 RED FOX RD STE 100	40 00			
ARDEN HILLS, MN 551126941				
Total number of other employees paid over \$50,000.				0

Part VIII

Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)

3 Five highest-paid independent contractors for professional services (see page 23 of the instructions). If none, enter "NONE".		
(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services.		0

Part IX-A

Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.	Expenses
1 NATIVE LANGUAGE REVITALIZATION - SINCE ITS INCEPTION IN 1964, THE GROTTO FOUNDATION HAS DIRECTED APPROXIMATELY 37 PERCENT OF ITS GRANT SUPPORT TO NATIVE-AMERICAN ENDEAVORS, INCLUDING COMMUNITY AND CULTURAL REVITALIZATION THROUGH RECENT RESEARCH RELATED TO THESE ENDEAVORS, IT WAS DISCOVERED THAT CHILDREN WHO LEARN THEIR HERITAGE LANGUAGE ACHIEVE BETTER ACADEMICALLY WHILE A MYRIAD OF NEEDS EXIST, NURTURING THE ROOT OF NATIVE CULTURE AND BELIEF SYSTEMS THROUGH LANGUAGE RESTORATION, IS THE CALL TO WHICH GROTTO HAS RESPONDED THE GROTTO FOUNDATION SERVES AS A CATALYST IN THE WORK OF NATIVE LANGUAGE REVITALIZATION IT RECOGNIZES THAT THE RENEWAL OF INDIGENOUS LANGUAGE LIES WITHIN THE COMMUNITY ITSELF ULTIMATELY, INDIGENOUS COMMUNITIES WILL PERSERVE AND RESTORE THEIR HERITAGE LANGUAGE FOR FUTURE GENERATIONS IN FISCAL YEAR 2010 THE GROTTO FOUNDATION MADE GRANTS OF \$120,000 TO THE NATIVE LANGUAGES INITIATIVE	170,116
2 THE AMERICAN INDIAN FAMILY EMPOWERMENT PROGRAM (AIFEP) IS A UNIQUE GRANTMAKING PROGRAM THAT BEGAN OPERATING IN 1996 UNDER THE DIRECTION OF THE MARBROOK FOUNDATION AND AN AMERICAN-INDIAN COMMUNITY ADVISORY COMMITTEE AIFEP IS ONE OF FEW PHILANTHROPIC ENDEAVORS THAT INCLUDE THE WISDOM AND EXPERTISE OF THE AMERICAN-INDIAN COMMUNITY IN ITS GRANTMAKING STRUCTURE AND DECISION MAKING A PIVOTAL POINT IN THE AIFEP ORGANIZATIONAL HISTORY WAS THE FORMATION OF THE ADMINISTRATIVE AND GRANTMAKING PARTNERSHIP BETWEEN THE GROTTO FOUNDATION AND THE MARBROOK FOUNDATION IN 2001 THE AIFEP MISSION IS TO SUPPORT AND ENCOURAGE AMERICAN-INDIAN FAMILIES AND INDIVIDUALS IN THE TWIN CITIES AREA TO BE OF SERVICE TO THEIR COMMUNITY, CONNECTED TO THEIR CULTURE AND TO HAVE THEIR OWN POTENTIAL REALIZED	58,374
3 General Grants and consultative services are to benefit society by improving the education and the economic, physical, and social well-being of citizens, with a special focus on families and culturally diverse groups The Foundation is further interested in increasing public understanding of American cultural heritage, the cultures of nations, and the individual's responsibility to fellow human beings	52,718
4 EARLY CHILDHOOD DEVELOPMENT - IN 2008 THE GROTTO DIRECTORS DETERMINED THAT THEY WANTED TO FOCUS GROTTO'S FUNDING ON SUPPORT FOR EARLY CHILDHOOD DEVELOPMENT AND PARENTING THEY WILL FOCUS ITS FUNDING TO SUPPORT AGENCIES AND INSTITUTIONS DEDICATED TO IMPROVING THE QUALITY OF PARENTING AND THE WELL- BEING OF INFANTS AND CHILDREN (FROM BIRTH TO SIX YEARS OF AGE)	134,509

Part IX-B

Summary of Program-Related Investments (see page 23 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1	
2	
All other program-related investments See page 24 of the instructions	
3	
Total. Add lines 1 through 3.	0

Part X

Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc , purposes		
a	Average monthly fair market value of securities.	1a	19,613,913
b	Average of monthly cash balances.	1b	22,525
c	Fair market value of all other assets (see page 24 of the instructions).	1c	28,467
d	Total (add lines 1a, b, and c).	1d	19,664,905
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation).	1e	0
2	Acquisition indebtedness applicable to line 1 assets.	2	0
3	Subtract line 2 from line 1d.	3	19,664,905
4	Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see page 25 of the instructions).	4	294,974
5	Net value of noncharitable-use assets. Subtract line 4 from line 3 Enter here and on Part V, line 4	5	19,369,931
6	Minimum investment return. Enter 5% of line 5.	6	968,497

Part XI

Distributable Amount (see page 25 of the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ☒ and do not complete this part.)

1	Minimum investment return from Part X, line 6.	1	968,497
2a	Tax on investment income for 2009 from Part VI, line 5.	2a	13,813
b	Income tax for 2009 (This does not include the tax from Part VI).	2b	
c	Add lines 2a and 2b.	2c	13,813
3	Distributable amount before adjustments Subtract line 2c from line 1.	3	954,684
4	Recoveries of amounts treated as qualifying distributions.	4	13,392
5	Add lines 3 and 4.	5	968,076
6	Deduction from distributable amount (see page 25 of the instructions).	6	0
7	Distributable amount as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1.	7	968,076

Part XII

Qualifying Distributions (see page 25 of the instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc , purposes		
a	Expenses, contributions, gifts, etc —total from Part I, column (d), line 26.	1a	717,847
b	Program-related investments—total from Part IX-B.	1b	0
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc , purposes.	2	
3	Amounts set aside for specific charitable projects that satisfy the		
a	Suitability test (prior IRS approval required).	3a	
b	Cash distribution test (attach the required schedule).	3b	
4	Qualifying distributions. Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	717,847
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see page 26 of the instructions).	5	0
6	Adjusted qualifying distributions. Subtract line 5 from line 4.	6	717,847
Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years			

Part XIII

Undistributed Income (see page 26 of the instructions)

		(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1		Distributable amount for 2009 from Part XI, line 7			
2		Undistributed income, if any, as of the end of 2008			
a		Enter amount for 2008 only. 0			
b		Total for prior years 20__ , 20__ , 20__ 0			
3		Excess distributions carryover, if any, to 2009			
a		From 2004. 3,879			
b		From 2005. 13,452			
c		From 2006. 176,478			
d		From 2007. 181,158			
e		From 2008. 390,763			
f		Total of lines 3a through e. 765,730			
4		Qualifying distributions for 2009 from Part XII, line 4 ▶ \$ 717,847			
a		Applied to 2008, but not more than line 2a 0			
b		Applied to undistributed income of prior years (Election required—see page 26 of the instructions) 0			
c		Treated as distributions out of corpus (Election required—see page 26 of the instructions). . . 0			
d		Applied to 2009 distributable amount. 717,847			
e		Remaining amount distributed out of corpus 0			
5		Excess distributions carryover applied to 2009 250,229			
		(If an amount appears in column (d), the same amount must be shown in column (a).)			
6		Enter the net total of each column as indicated below:			
a		Corpus Add lines 3f, 4c, and 4e Subtract line 5 515,501			
b		Prior years' undistributed income Subtract line 4b from line 2b. 0			
c		Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed. 0			
d		Subtract line 6c from line 6b Taxable amount—see page 27 of the instructions . . . 0			
e		Undistributed income for 2008 Subtract line 4a from line 2a Taxable amount—see page 27 of the instructions 0			
f		Undistributed income for 2009 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2010 0			
7		Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) 0			
8		Excess distributions carryover from 2004 not applied on line 5 or line 7 (see page 27 of the instructions) 0			
9		Excess distributions carryover to 2010. Subtract lines 7 and 8 from line 6a 515,501			
10		Analysis of line 9			
a		Excess from 2005.			
b		Excess from 2006.			
c		Excess from 2007. 124,738			
d		Excess from 2008. 390,763			
e		Excess from 2009.			

Part XIV

Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9)

1a

If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, enter the date of the ruling.

b

Check box to indicate whether the organization is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

☐ 4942(j)(3) or ☐ 4942(j)(5)

2a	Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed	Tax year	Prior 3 years			(e) Total
		(a) 2009	(b) 2008	(c) 2007	(d) 2006	
b	85% of line 2a					
c	Qualifying distributions from Part XII, line 4 for each year listed					
d	Amounts included in line 2c not used directly for active conduct of exempt activities					
e	Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3	Complete 3a, b, or c for the alternative test relied upon					
a	"Assets" alternative test—enter					
	(1) Value of all assets					
	(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b	"Endowment" alternative test— enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed.					
c	"Support" alternative test—enter					
	(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
	(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii).					
	(3) Largest amount of support from an exempt organization					
	(4) Gross investment income					

Part XV

Supplementary Information (Complete this part only if the organization had \$5,000 or more in assets at any time during the year—see page 27 of the instructions.)

1

Information Regarding Foundation Managers:

a

List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000) (See section 507(d)(2))

b

List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest

2

Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see page 28 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a

The name, address, and telephone number of the person to whom applications should be addressed

ELLIS BULLOCK
1315 RED FOX ROAD SUITE 100
ARDEN HILLS, MN 551126941
(651) 209-8010

b

The form in which applications should be submitted and information and materials they should include

On the application form the organization provides information about the location of the organizations and a contact person, along with the type of organization 501(c)(3). The organization then describes the project they are requesting a grant for, the amount they are requesting for the project, and what type of funds are being requested (general operating support, project/program support, capacity building, etc.)

c

Any submission deadlines

January 15 for April, March 15 for June, July 15 for October, and November 15 for February

d

Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

None

Part XV

Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
Name and address (home or business)				
a Paid during the year See Additional Data Table				
Total			▶ 3a	322,500
b Approved for future payment See Additional Data Table				
Total			▶ 3b	115,000

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See page 28 of the instructions)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue					
a _____					
b _____					
c _____					
d _____					
e _____					
f _____					
g Fees and contracts from government agencies					
2 Membership dues and assessments. . . .					
3 Interest on savings and temporary cash investments			14	23,062	
4 Dividends and interest from securities. . . .			14	691,928	
5 Net rental income or (loss) from real estate					
a Debt-financed property.					
b Not debt-financed property.					
6 Net rental income or (loss) from personal property					
7 Other investment income.			14	18,238	13,392
8 Gain or (loss) from sales of assets other than inventory			18	85,601	
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory. .					
11 Other revenue a _____					
b _____					
c _____					
d _____					
e _____					
12 Subtotal. Add columns (b), (d), and (e). .		0		818,829	13,392
13 Total. Add line 12, columns (b), (d), and (e). 13					832,221

[illegible]

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

1	Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?		Yes	No
a	Transfers from the reporting foundation to a noncharitable exempt organization of			
	(1) Cash.	1a(1)		No
	(2) Other assets.	1a(2)		No
b	Other transactions			
	(1) Sales of assets to a noncharitable exempt organization.	1b(1)		No
	(2) Purchases of assets from a noncharitable exempt organization.	1b(2)		No
	(3) Rental of facilities, equipment, or other assets.	1b(3)		No
	(4) Reimbursement arrangements.	1b(4)		No
	(5) Loans or loan guarantees.	1b(5)		No
	(6) Performance of services or membership or fundraising solicitations.	1b(6)		No
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees.	1c		No
d	If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.			

[illegible]

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☒ No

b If "Yes," complete the following schedule		
(a) Name of organization	(b) Type of organization	(c) Description of relationship

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 taxpayer or fiduciary) is based on all information of which preparer has any knowledge				
	*****			2010-09-16	
	Signature of officer or trustee			Date	
	*****			Title	
Paid Preparer's Use Only	Preparer's Signature  MCMONIGAL		Date 2010-09-16		Check if self-employed ☒
	Firm's name (or yours if self-employed), address, and ZIP code MAHONEYULBRICHCHRISTIANSEN & RUSS PA 30 EAST PLATO BOULEVARD SAINT PAUL, MN 551071809		Preparer's identifying number (see Signature on page 30 of the instructions)		
			EIN 		
		Phone no (651) 227-6695			

Additional Data

Software ID: 09000028
Software Version: 2009.04020
EIN: 41-6052604
Name: GROTTO FOUNDATION INC

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns a - d

(a) List and describe the kind(s) of property sold (e g , real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co)	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo , day, yr)	(d) Date sold (mo , day, yr)
NT Mairs and Power	P		
NT SIT Small Cap	P		
NT SIT Self Managed	P		
NIT Opportunity Bond Fund	P		
Pass through SIT Small Cap	P		
Pass through SIT Small Cap	P		
PASs through SIT Opp Bond	P		
Pass through SIT Opp Bond	P		

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns e - h

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
1,358,618		837,778	520,840
1,794,402		1,723,985	70,417
56,736		99,951	-43,215
3,000,000		3,000,000	0
			-4,213
			-57,561
			-91,263
			-309,404

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns i - l

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))
(i) F M V as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any	
			520,840
			70,417
			-43,215
			0
			-4,213
			-57,561
			-91,263
			-309,404

Form 990PF Part VIII Line 1 - List all officers, directors, trustees, foundation managers and their compensation

(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, other allowances
LOUIS FORS HILL	PRESIDENT 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
MALCOLM w MCDONALD	VICE PRESIDENT 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
MARY MANUEL ROMAN	TREAsurer 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
RICHARD ANDOLSHEK	MEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
KATHRINE HILL	MEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
LOUIS SHEA HILL	mEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
NANCY RANDALL DANA	MEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
BARBARA SLADE	MEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
Derek Benz	MEMBER 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 aRDEN HILLS, MN 55112				
Austin J Baillon	Member Emeritus 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 aRDEN HILLS, MN 55112				
CHRIS STAINBROOK	Member Emeritus 1 00	0	0	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				
ELLIS BULLOCK	SECRETARY / EXEC DIRECTOR 40 00	146,653	8,500	0
1315 RED FOX ROAD SUITE 200 ARDEN HILLS, MN 55112				

Form 990PF Part XV Line 3 - Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
Name and address (home or business)				
a Paid during the year				
Caring for Kids Initiative110 Grand Ave Wayzata, MN 55391	nONE	n/A	Scholarship Support	12,500
Early Childhood Resource and Training Center4048 28th Avenue South Minneapolis, MN 55406	NONE	n/A	American Indian School Readiness Project	25,000
Headwaters Foundation for Justice2801 21st Ave S Ste 132-B Minneapolis, MN 55407	nONE	N/A	Twin Cities African American Leadership Forum	25,000
Kids First800 Nicollet Mall Minneapolis, MN 55402	nONE	n/A	GenERAL OPERATING SUPPORT	10,000
Leech Lake Band of Ojibwe115 Sixth St NW Suite E Cass Lake, MN 56633	NONE	N/A	Native Language Revitalization	20,000
Minneapolis Foundation (AIFEP)5323 LAKELAND AVENUE NORTH Minneapolis, MN 55429	nONE	n/A	AIFEP Contribution	80,000
Minnesota Indian Women's Resource Center15th Avenue South Minneapolis, MN 55404	nONe	n/A	Cherish the Children Learning Center	25,000
Native American Community Board809 High St Lake Andes, SD 57356	nONE	n/A	Yankton Sioux Language and Heritage Perservation Program	10,000
Ready 4 K2233 University Avenue W St Paul, MN 55114	nONE	n/A	GENERAL OPERATING SUPPORT	25,000
UNIVERSITY OF MINNESOTA SPONSORED PROJECTS ADMINISTRATION1049 University Drive Duluth, MN 55812	NONE	N/A	Master Apprenticeship	20,000
Waadookodaading An Ojibwe Immersion SchoolPO Box 860 Hayward, WI 54843	nONE	n/A	Native Language Revitalization	60,000
EVERYBODY WINS MINNESOTA325 CEDAR STREET ST PAUL, MN 55101	NONE	N/A	POWER LUNCH PROGRAM Evaluation	10,000
Total  3a				322,500

TY 2009 Accounting Fees Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
Audit Fees	11,600	1,160		10,440

**TY 2009 Investments Corporate
Stock Schedule****Name:** GROTTO FOUNDATION INC**EIN:** 41-6052604

Name of Stock	End of Year Book Value	End of Year Fair Market Value
SIT - SMALL CAP FUND II, LLC	1,174,116	1,174,116
COMMON STOCK	11,990,387	11,990,387
SIT OPPORTUNITY BOND FUND, LLC	4,105,608	4,105,608
SIT - Gov't Bond Fund	2,986,847	2,986,847

TY 2009 Other Assets Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Description	Beginning of Year - Book Value	End of Year - Book Value	End of Year - Fair Market Value
INVESTMENT INCOME RECEIVABLE	11,722	18,290	18,290

TY 2009 Other Expenses Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Description	Revenue and Expenses per Books	Net Invest ment Income	Adjusted Net Income	Disbursements for Charitable Purposes
INSURANCE	6,844	68		6,776
OFFICE EXPENSE	3,667	37		3,630
TELEPHONE	5,236	52		5,184
ANNUAL REPORT	25	0		25
OFFICE SUPPLIES	2,889	29		2,860
POSTAGE	1,174	12		1,162
Education and training	278	3		275
Miscellaneous expenses	102	0		102

TY 2009 Other Income Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Description	Revenue And Expenses Per Books	Net Invest ment Income	Adjusted Net Income
SECURITY LENDING INCOME FROM LLC	18,238	18,238	18,238
Grant Recoveries	13,392	0	13,392

TY 2009 Other Increases Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Description	Amount
UNREALIZED GAIN ON INVESTMENTS	5,439,422
CHANGE IN PRESENT VALUE OF ANNUITY	20,000

TY 2009 Other Professional Fees Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
INVESTMENT ADVISORS	119,911	119,911		0

TY 2009 Taxes Schedule

Name: GROTTO FOUNDATION INC

EIN: 41-6052604

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
PAYROLL TAXES	16,050	374		15,676
FEDERAL TAX	9,300	0		0