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Return of Private Foundation

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

2010

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

For calendar year 2010, or tax year beginning

, and ending

G Check all that apply:

 Initial return Initial return of a former public charity Final return Amended return Address change Name change

Name of foundation

KINNEY DRUGS FOUNDATION, INC.

A Employer identification number

03-0406308

Number and street (or P O box number if mail is not delivered to street address)

29 E. MAIN STREET

Room/suite

City or town, state, and ZIP code

GOUVERNEUR, NY 13642

B Telephone number

315-425-7960

H Check type of organization: Section 501(c)(3) exempt private foundation Section 4947(a)(1) nonexempt charitable trust Other taxable private foundationC If exemption application is pending, check here ► D 1. Foreign organizations, check here ► 2. Foreign organizations meeting the 85% test, check here and attach computation ► I Fair market value of all assets at end of year J Accounting method: Cash Accrual
(from Part II, col. (c), line 16) Other (specify) _____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))

(a) Revenue and expenses per books

(b) Net investment income

(c) Adjusted net income

(d) Disbursements for charitable purposes (cash basis only)

1 Contributions, gifts, grants, etc., received	623,050.			
2 Check ► <input type="checkbox"/> if the foundation is not required to attach Sch B Interest on savings and temporary cash investments				
3 Dividends and interest from securities	111,044.	111,044.	111,044.	STATEMENT 1
5a Gross rents				
b Net rental income or (loss)				
6a Net gain or (loss) from sale of assets not on line 10 Gross sales price for all assets on line 6a	34,915.			
6b 675,329.				
7 Capital gain net income (from Part IV, line 2)		34,915.		
8 Net short-term capital gain			0.	
9 Income modifications				
10a Gross sales less returns - and allowances				
b Less Cost of goods sold				
c Gross profit or (loss)				
11 Other income	143,500.	0.	143,500.	STATEMENT 2
12 Total Add lines 1 through 11	912,509.	145,959.	254,544.	
13 Compensation of officers, directors, trustees, etc.	0.	0.	0.	0.
14 Other employee salaries and wages	49,153.	14,746.	0.	34,407.
15 Pension plans, employee benefits				
16a Legal fees				
b Accounting fees	STMT 3	2,500.	1,250.	0.
c Other professional fees				
17 Interest				
18 Taxes	STMT 4	2,470.	0.	0.
19 Depreciation and depletion				
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications		3,066.	920.	0.
23 Other expenses	STMT 5	130,250.	5,567.	0.
24 Total operating and administrative expenses. Add lines 13 through 23		187,439.	22,483.	0.
25 Contributions, gifts, grants paid		695,733.		597,201.
26 Total expenses and disbursements. Add lines 24 and 25		883,172.	22,483.	0.
27 Subtract line 26 from line 12:		29,337.		
a Excess of revenue over expenses and disbursements				
b Net investment income (if negative, enter -0-)		123,476.		
c Adjusted net income (if negative enter -0-)			254,544.	

Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only		
		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
	1 Cash - non-interest-bearing	100,389.	188,518.	188,518.
	2 Savings and temporary cash investments			
	3 Accounts receivable ►			
	Less: allowance for doubtful accounts ►			
	4 Pledges receivable ►	81,075.	86,238.	81,075.
	Less: allowance for doubtful accounts ►			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons			
	7 Other notes and loans receivable ►	1,851,315.	1,851,315.	1,851,315.
	Less: allowance for doubtful accounts ►	0.	1,851,315.	1,851,315.
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			465.
Assets	10a Investments - U.S. and state government obligations			465.
	b Investments - corporate stock	822,294.	906,031.	906,031.
	c Investments - corporate bonds			
	11 Investments - land, buildings, and equipment basis ►			
	Less accumulated depreciation ►			
	12 Investments - mortgage loans			
	13 Investments - other			
	14 Land, buildings, and equipment basis ►			
	Less accumulated depreciation ►			
	15 Other assets (describe ►	STATEMENT 7)	6,421.	2,832.
	16 Total assets (to be completed by all filers)	2,866,657.	3,030,236.	3,030,236.
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable	709,395.	807,927.	
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable			
	22 Other liabilities (describe ► EXCISE TAX PAYABLE)	0.	1,109.	
	23 Total liabilities (add lines 17 through 22)	709,395.	809,036.	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ► <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.			
	24 Unrestricted	2,157,262.	2,221,200.	
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ► <input type="checkbox"/> 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	2,157,262.	2,221,200.	
	31 Total liabilities and net assets/fund balances	2,866,657.	3,030,236.	

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 2,157,262.
2 Enter amount from Part I, line 27a	2 29,337.
3 Other increases not included in line 2 (itemize) ► UNREALIZED GAIN	3 34,601.
4 Add lines 1, 2, and 3	4 2,221,200.
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 2,221,200.

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					
b	SEE ATTACHED STATEMENTS				
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					
b					
c					
d					
e	675,329.		640,414.	34,915.	
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		
a					
b					
c					
d					
e				34,915.	
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	34,915.
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). If (loss), enter -0- in Part I, line 8			3	0.

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 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))
2009	672,878.	2,740,404.	.245540
2008	739,993.	2,603,889.	.284188
2007	683,750.	2,593,040.	.263687
2006	641,276.	2,443,119.	.262483
2005	687,970.	2,387,794.	.288119

2 Total of line 1, column (d)

2 **1.344017**

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 **.268803**

4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5

4 **2,864,935.**

5 Multiply line 4 by line 3

5 **770,103.**

6 Enter 1% of net investment income (1% of Part I, line 27b)

6 **1,235.**

7 Add lines 5 and 6

7 **771,338.**

8 Enter qualifying distributions from Part XII, line 4

8 **759,687.**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.

Part VI | Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see 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

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-)

3 Add lines 1 and 2

4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)

5 Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-

6 Credits/Payments:

a 2010 estimated tax payments and 2009 overpayment credited to 2010

6a 1,800.

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

7 1,800.

8 Enter any penalty for underpayment of estimated tax. Check here if Form 2220 is attached

8

9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed SEE STATEMENT 8 ►

9 670.

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 2011 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?

1a Yes No

b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for definition)?

1b Yes No *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*1c Yes No

c Did the foundation file Form 1120-POL for this year?

2 Yes No

d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year:

3 Yes No

(1) On the foundation. ► \$ 0. (2) On foundation managers. ► \$ 0.

4a Yes No

e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ► \$ 0.

4b Yes No

2 Has the foundation engaged in any activities that have not previously been reported to the IRS?

5 Yes No *If "Yes," attach a detailed description of the activities*6a Yes 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*6b Yes No

4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?

7 Yes No

b If "Yes," has it filed a tax return on Form 990-T for this year?

8a Yes No

5 Was there a liquidation, termination, dissolution, or substantial contraction during the year?

8b Yes No *If "Yes," attach the statement required by General Instruction T.*9 Yes No

6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either:

10 Yes No

• By language in the governing instrument, or

NY

• 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?

7 Did the foundation have at least \$5,000 in assets at any time during the year?

NY

If "Yes," complete Part II, col. (c), and Part XIV.

8a Enter the states to which the foundation reports or with which it is registered (see instructions) ►

NY

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)

NY

of each state as required by General Instruction G? *If "No," attach explanation*

NY

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 2010 or the taxable year beginning in 2010 (see instructions for Part XIV)? *If "Yes," complete Part XIV*

NY

10 Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*

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 instructions) 11 X

12 Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008? 12 X

13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► **WWW.KINNEYDRUGSFUNDATION.COM** 13 X

14 The books are in care of ► **STEPHEN P. MCCOY, SEC./TREASURER** Telephone no. ► **(315) 425-7960**
Located at ► **29 EAST MAIN STREET, GOVERNEUR, NY** ZIP+4 ► **13642**

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** N/A

16 At any time during calendar year 2010, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ► **16** Yes No X

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.

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 X No

(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? Yes X No

(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? Yes X No

(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? Yes X 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 X 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 X 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 22 of the instructions)? N/A ► **1b**
Organizations relying on a current notice regarding disaster assistance check here

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 2010? 1c X

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 2010, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2010? Yes X No
If "Yes," list the years ► _____, _____, _____, _____

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 instructions.) N/A 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.
► _____, _____, _____, _____

3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? Yes X No

b If "Yes," did it have excess business holdings in 2010 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? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2010) N/A 3b

4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? 4a X

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 2010? 4b X

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:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
(3) Provide a grant to an individual for travel, study, or other similar purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 instructions)?	N/A		5b	
Organizations relying on a current notice regarding disaster assistance check here	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
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?	N/A		<input type="checkbox"/> Yes <input type="checkbox"/> No	
<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?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	6b		X	
<i>If "Yes" to 6b, file Form 8870.</i>				
7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?	N/A		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.**

(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 STATEMENT 11		0.	0.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). 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
NONE				

Total number of other employees paid over \$50,000

► 0

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Part VIII **Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)**
3 Five highest-paid independent contractors for professional services. 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	N/A	
2		
3		
4		

Part IX-B **Summary of Program-Related Investments**

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.

Amount

1	N/A	
2		
3	All other program-related investments. See instructions.	
Total, Add lines 1 through 3		► 0.

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Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see 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	851,422.
b Average of monthly cash balances	1b	224,912.
c Fair market value of all other assets	1c	1,832,229.
d Total (add lines 1a, b, and c)	1d	2,908,563.
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	2,908,563.
4 Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	43,628.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	2,864,935.
6 Minimum investment return Enter 5% of line 5	6	143,247.

Part XI Distributable Amount (see 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	
2a Tax on investment income for 2010 from Part VI, line 5	2a	
b Income tax for 2010. (This does not include the tax from Part VI.)	2b	
c Add lines 2a and 2b	2c	
3 Distributable amount before adjustments. Subtract line 2c from line 1	3	
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4	5	
6 Deduction from distributable amount (see instructions)	6	
7 Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	

Part XII Qualifying Distributions (see 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	759,687.
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	759,687.
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	5	0.
6 Adjusted qualifying distributions. Subtract line 5 from line 4	6	759,687.

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 instructions)**N/A**

	(a) Corpus	(b) Years prior to 2009	(c) 2009	(d) 2010
1 Distributable amount for 2010 from Part XI, line 7				
2 Undistributed income, if any, as of the end of 2010				
a Enter amount for 2009 only				
b Total for prior years: _____ , _____ , _____				
3 Excess distributions carryover, if any, to 2010: a From 2005 b From 2006 c From 2007 d From 2008 e From 2009 f Total of lines 3a through e				
4 Qualifying distributions for 2010 from Part XII, line 4: ► \$ _____				
a Applied to 2009, but not more than line 2a				
b Applied to undistributed income of prior years (Election required - see instructions)				
c Treated as distributions out of corpus (Election required - see instructions)				
d Applied to 2010 distributable amount				
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 2010 (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				
b Prior years' undistributed income. Subtract line 4b from line 2b				
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				
d Subtract line 6c from line 6b. Taxable amount - see instructions				
e Undistributed income for 2009. Subtract line 4a from line 2a. Taxable amount - see instr.				
f Undistributed income for 2010. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2011				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3)				
8 Excess distributions carryover from 2005 not applied on line 5 or line 7				
9 Excess distributions carryover to 2011 Subtract lines 7 and 8 from line 6a				
10 Analysis of line 9: a Excess from 2006 b Excess from 2007 c Excess from 2008 d Excess from 2009 e Excess from 2010				

Part XIV | Private Operating Foundations (see instructions and Part VII-A, question 9)

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2010, enter the date of the ruling

► 4942(j)(3) or 4942(j)(5)

b Check box to indicate whether the foundation is a private operating foundation described in section

2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed

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

Tax year	Prior 3 years				(e) Total
	(a) 2010	(b) 2009	(c) 2008	(d) 2007	
143,247.	137,020.	130,194.	82,934.	493,395.	
121,760.	116,467.	110,665.	70,494.	419,386.	
759,687.	672,878.	739,993.	683,750.	2,856,308.	
0.	0.	0.	0.	0.	0.
759,687.	672,878.	739,993.	683,750.	2,856,308.	
					0.
					0.
95,498.	91,347.	86,796.	86,435.	360,076.	
					0.
					0.
					0.
					0.

Part XV | Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year-see 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).)

NONE

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.

NONE

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 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:

SEE STATEMENT 12

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

c Any submission deadlines:

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

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)				
<i>a Paid during the year</i>				
STATEMENT 13				
Total			► 3a	597,201.
<i>b Approved for future payment</i>				
STATEMENT 14				
Total			► 3b	807,927.

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

		(a) Business code	(b) Amount	(c) Exclu- sion code	(d) Amount	(e) Related or exempt function income
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					
4	Dividends and interest from securities				14	111,044.
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					
8	Gain or (loss) from sales of assets other than inventory				18	34,915.
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.		145,959.	143,500.
13	Total. Add line 12, columns (b), (d), and (e)					289,459.

(See worksheet in line 13 instructions to verify calculations.)

Relationship of Activities to the Accomplishment of Exempt Purposes

Schedule B(Form 990, 990-EZ,
or 990-PF)Department of the Treasury
Internal Revenue Service**Schedule of Contributors**

OMB No 1545-0047

► Attach to Form 990, 990-EZ, or 990-PF.

2010

Name of the organization

Employer identification number

KINNEY DRUGS FOUNDATION, INC.**03-0406308**

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

 501(c)() (enter number) organization 4947(a)(1) nonexempt charitable trust not treated as a private foundation 527 political organization

Form 990-PF

 501(c)(3) exempt private foundation 4947(a)(1) nonexempt charitable trust treated as a private foundation 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor Complete Parts I and II

Special Rules

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1 Complete Parts I and II

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, aggregate contributions of more than \$1,000 for use exclusively for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals Complete Parts I, II, and III

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use exclusively for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an exclusively religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year ► \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2 of its Form 990, or check the box on line H of its Form 990-EZ, or on line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2010)

Name of organization

KINNEY DRUGS FOUNDATION, INC.

Employer identification number

03-0406308

Part I Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	<u>KINNEY DRUGS, INC.</u> <u>29 EAST MAIN STREET</u> <u>GOUVERNEUR, NY 13642</u>	\$ <u>155,704.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	<u>HALLMARK CARD, INC.</u> <u>2501 MCGEE TRAFFICWAY</u> <u>KANSAS CITY, MO 64108</u>	\$ <u>25,000.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
3	<u>PINCKNEY HUGO GROUP</u> <u>760 WEST GENESEE STREET</u> <u>SYRACUSE, NY 13204</u>	\$ <u>5,000.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
4	<u>SAMARITAN MEDICAL CENTER</u> <u>830 WASHINGTON STREET</u> <u>WATERTOWN, NY 13601</u>	\$ <u>5,000.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
5	<u>3M MARKETING GROUP</u> <u>12681 LUNA ROAD</u> <u>VICTORVILLE, CA 92392</u>	\$ <u>5,000.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
6	<u>LIBERTY MUTUAL GROUP, INC.</u> <u>175 BERKELEY STREET</u> <u>BOSTON, MA 02116</u>	\$ <u>10,000.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization

KINNEY DRUGS FOUNDATION, INC.

Employer identification number

03-0406308**Part I Contributors** (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
7	<u>MCKESSON CORPORATION</u> <u>1 POST STREET</u> <u>SAN FRANCISCO, CA 94104</u>	\$ <u>20,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>
8	<u>MYLAN PHARMACEUTICALS INC.</u> <u>781 CHESTNUT RIDGE ROAD</u> <u>MORGANTOWN, WV 26505</u>	\$ <u>10,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>
9	<u>TAKEDA PHARMACY</u> <u>ONE TAKEDA PARKWAY</u> <u>DEERFIELD, IL 60015</u>	\$ <u>5,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>
10	<u>PEPSICO, INC.</u> <u>700 ANDERSON HILL ROAD</u> <u>PURCHASE, NY 10577</u>	\$ <u>10,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>
11	<u>COMMUNITY BANK N.A.</u> <u>5790 WIDEWATERS PARKWAY</u> <u>DEWITT, NY 13214</u>	\$ <u>5,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>
12	<u>HAYLOR, FREYER & COON, INC.</u> <u>231 SALINA MEADOWS PARKWAY</u> <u>SYRACUSE, NY 13221</u>	\$ <u>5,000.</u>	<input checked="" type="checkbox"/> Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <small>(Complete Part II if there is a noncash contribution.)</small>

Name of organization

Employer identification number

KINNEY DRUGS FOUNDATION, INC.

03-0406308

Part II Noncash Property (see instructions)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$ _____	_____

Name of organization

Employer identification number

KINNEY DRUGS FOUNDATION, INC.**03-0406308**

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than \$1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once. See instructions.) ► \$

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee

KINNEY DRUGS FOUNDATION, INC.

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 MTB NY TAX FREE MM FUND	P	VARIOUS	VARIOUS
b CRM MID CAP VALUE FUND INSTL #32	P	VARIOUS	11/04/10
c FEDERATED TOTAL RETURN BOND	P	VARIOUS	11/04/10
d HARBOR CAPITAL APPRECIATION FUND #12	P	VARIOUS	11/04/10
e HARBOR INTERNATIONAL FUND #11	P	VARIOUS	VARIOUS
f LAZARD EMERGING MARKETS PORTFOLIO	P	VARIOUS	05/24/10
g LOOMIS SAYLES SMALL CAP VALUE FUND 1	P	VARIOUS	11/04/10
h LSV VALUE EQUITY FUND	P	VARIOUS	11/04/10
i MASTERS SELECT INTERNATIONAL FUND #306	P	VARIOUS	05/24/10
j MORGAN STANLEY INSTITUTIONAL FIXED INCOME	P	VARIOUS	06/28/10
k MTB MID CAP GROWTH FUND #401	P	VARIOUS	11/04/10
l MTB SHORT DURATION GOVERNMENT BOND #120	P	VARIOUS	11/04/10
m MTB SMALL CAP GROWTH FUND #555	P	VARIOUS	11/04/10
n MTB US GOVERNMENT BOND #822	P	VARIOUS	11/04/10
o PIMCO TOTAL RETURN FUND	P	VARIOUS	11/04/10

(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 82,945.		82,945.	0.
b 27,301.		24,853.	2,448.
c 31,171.		28,320.	2,851.
d 44,114.		36,899.	7,215.
e 23,475.		23,634.	-159.
f 3,500.		4,347.	-847.
g 28,859.		24,997.	3,862.
h 7,609.		8,464.	-855.
i 3,500.		4,485.	-985.
j 21,020.		23,928.	-2,908.
k 2,381.		2,316.	65.
l 15,030.		15,000.	30.
m 6,221.		6,542.	-321.
n 175,880.		164,056.	11,824.
o 32,582.		29,238.	3,344.

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

(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	(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")
a			0.
b			2,448.
c			2,851.
d			7,215.
e			-159.
f			-847.
g			3,862.
h			-855.
i			-985.
j			-2,908.
k			65.
l			30.
m			-321.
n			11,824.
o			3,344.

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 }

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).
If (loss), enter "-0-" in Part I, line 8 }

KINNEY DRUGS FOUNDATION, INC.

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 T ROWE PRICE GROWTH			P	VARIOUS	11/04/10
b VANGUARD INTERNATIONAL INDEX			P	VARIOUS	11/04/10
c					
d					
e					
f					
g					
h					
i					
j					
k					
l					
m					
n					
o					
(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 15,519.			13,973.	1,546.	
b 154,222.			146,417.	7,805.	
c					
d					
e					
f					
g					
h					
i					
j					
k					
l					
m					
n					
o					
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(i) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")		
(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				1,546.	
b				7,805.	
c					
d					
e					
f					
g					
h					
i					
j					
k					
l					
m					
n					
o					
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	34,915.	
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). If (loss), enter "-0-" in Part I, line 8 }			3	0.	

FORM 990-PF	DIVIDENDS AND INTEREST FROM SECURITIES	STATEMENT	1
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SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	COLUMN (A) AMOUNT
KINNEY DRUG STOCK	111,044.	0.	111,044.
TOTAL TO FM 990-PF, PART I, LN 4	111,044.	0.	111,044.

FORM 990-PF	OTHER INCOME	STATEMENT	2
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DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
GROSS INCOME FROM SPECIAL FUNDRAISING EVENTS	143,500.	0.	143,500.
TOTAL TO FORM 990-PF, PART I, LINE 11	143,500.	0.	143,500.

FORM 990-PF	ACCOUNTING FEES	STATEMENT	3
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ACCOUNTING FEES	2,500.	1,250.	0.	1,250.
TO FORM 990-PF, PG 1, LN 16B	2,500.	1,250.	0.	1,250.

FORM 990-PF	TAXES	STATEMENT	4
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
EXCISE TAX EXPENSE	2,470.	0.	0.	0.
TO FORM 990-PF, PG 1, LN 18	2,470.	0.	0.	0.

FORM 990-PF	OTHER EXPENSES	STATEMENT	5
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
MISCELLANEOUS	1,184.	355.	0.	829.
FUNDRAISING EVENT EXPENSE	103,854.	0.	0.	103,854.
INVESTMENT FEES	5,212.	5,212.	0.	0.
UNCOLLECTIBLE PLEDGES	20,000.	0.	0.	20,000.
TO FORM 990-PF, PG 1, LN 23	130,250.	5,567.	0.	124,683.

FORM 990-PF	CORPORATE STOCK	STATEMENT	6
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
KINNEY DRUG, INC. STOCK	906,031.	906,031.
TOTAL TO FORM 990-PF, PART II, LINE 10B	906,031.	906,031.

FORM 990-PF	OTHER ASSETS	STATEMENT	7
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DESCRIPTION	BEGINNING OF YR BOOK VALUE	END OF YEAR BOOK VALUE	FAIR MARKET VALUE
DUE FROM KINNEY DRUGS	5,354.	2,832.	2,832.
EXCISE TAX RECEIVABLE	1,067.	0.	0.
TO FORM 990-PF, PART II, LINE 15	6,421.	2,832.	2,832.

FORM 990-PF	INTEREST AND PENALTIES	STATEMENT	8
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TAX DUE FROM FORM 990-PF, PART VI	670.
LATE PAYMENT INTEREST	4.
LATE PAYMENT PENALTY	7.
TOTAL AMOUNT DUE	681.

FORM 990-PF	LATE PAYMENT PENALTY			STATEMENT	9
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DESCRIPTION	DATE	AMOUNT	BALANCE	MONTHS	PENALTY
TAX DUE	05/15/11	670.	670.	2	7.
DATE FILED	07/15/11		670.		
TOTAL LATE PAYMENT PENALTY					7.

FORM 990-PF	LATE PAYMENT INTEREST			STATEMENT	10
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DESCRIPTION	DATE	AMOUNT	BALANCE	RATE	DAYS	INTEREST
TAX DUE	05/15/11	670.	670.	.0400	61	4.
DATE FILED	07/15/11		674.			
TOTAL LATE PAYMENT INTEREST						4.

FORM 990-PF	PART VIII - LIST OF OFFICERS, DIRECTORS TRUSTEES AND FOUNDATION MANAGERS	STATEMENT	11
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NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
CHARLES OWENS 95 GLEASON STREET GOVERNEUR, NY 13642	DIRECTOR 2.00	0.	0.	0.
MARK BRACKETT 520 EAST MAIN STREET GOVERNEUR, NY 13642	VICE PRESIDENT 5.00	0.	0.	0.
RICHARD COGNETTI, SR. 29 EAST MAIN STREET GOVERNEUR, NY 13642	DIRECTOR 2.00	0.	0.	0.
STEPHEN P. MCCOY 29 EAST MAIN STREET GOVERNEUR, NY 13642	SECRETARY / TREASURER 5.00	0.	0.	0.
BERNIE ALDEN 55 SHATTUCK HILL ROAD NEWPORT, VT 05855	DIRECTOR 2.00	0.	0.	0.

KINNEY DRUGS FOUNDATION, INC.

03-0406308

FRED HAGGERTY 266 PRATT STREET WATERTOWN, NY 13601	DIRECTOR 2.00	0.	0.	0.
OWEN HALLORAN 520 EAST MAIN STREET GOVERNEUR, NY 13642	DIRECTOR 2.00	0.	0.	0.
REBECCA HORN 3 ELM STREET TULLY, NY 13159	DIRECTOR 2.00	0.	0.	0.
RICH McNULTY 22435 RIVERGLADE DRIVE WATERTOWN, NY 13601	DIRECTOR 2.00	0.	0.	0.
DANIEL VILLA 203 NORTH HAMILTON STREET WATERTOWN, NY 13601	PRESIDENT 5.00	0.	0.	0.
NORTON TAYLOR 31 MEADOW LANE GOVERNEUR, NY 13642	DIRECTOR 2.00	0.	0.	0.
WARREN WOLFSON 100 EAST WASHINGTON STREET SYRACUSE, NY 13202	DIRECTOR 2.00	0.	0.	0.
TOTALS INCLUDED ON 990-PF, PAGE 6, PART VIII		0.	0.	0.

FORM 990-PF

GRANT APPLICATION SUBMISSION INFORMATION
PART XV, LINES 2A THROUGH 2D

STATEMENT 12

NAME AND ADDRESS OF PERSON TO WHOM APPLICATIONS SHOULD BE SUBMITTED

KINNEY DRUGS FOUNDATION
29 EAST MAIN STREET
GOVERNEUR, NY 13642-1499

TELEPHONE NUMBER

315-287-3600

FORM AND CONTENT OF APPLICATIONS

FORM IS AVAILABLE ON WEBSITE TO BE COMPLETED AND SUBMITTED VIA EMAIL.

ANY SUBMISSION DEADLINES

ALL PAPERWORK MUST BE RECEIVED AT LEAST ONE MONTH BEFORE THE BOARD MEETING
PRIOR TO THE EVENT.

RESTRICTIONS AND LIMITATIONS ON AWARDS

TO PROVIDE FINANCIAL SUPPORT TO SECTION 501(C)(3) ORGANIZATIONS SERVING
THOSE LIVING IN NORTHERN, CENTRAL, AND SOUTHERN NEW YORK AND VERMONT TO
HELP PEOPLE LIVE HEALTHIER LIVES.

KINNEY DRUGS FOUNDATION, INC.
EIN: 03-0406308
FOR THE YEAR ENDED DECEMBER 31, 2010

Statement 13

ATTACH TO FORM 990-PF

PART XV - SUPPLEMENTARY INFORMATION

Grants and Contributions Paid During the Year				
Name & Address	Relationship	Foundation Status of Recipient	Purpose of Grant or Contribution	Amount
AIDS Community Resources of Syracuse Syracuse, NY / Watertown, NY	N/A	Public	AIDS Walks	1,750
Alice Hyde Medical Center Malone, NY	N/A	Public	Hemodialysis Equipment	4,000
AMC Mercy (Adirondack Medical Center) Saranac Lake, NY	N/A	Public	Medical Equipment	2,000
Albany College of Pharmacy Albany, NY	N/A	Public	Donation	50,000
Alzheimer's Association Syracuse, NY	N/A	Public	Canton/Watertown Memory Walk	1,250
American Brain Tumor Association Adams Center, NY	N/A	Public	Sharing Hope, Sharing Flowers	500
American Cancer Society Watertown, NY	N/A	Public	Donation	10,000
American Diabetes Association Syracuse, NY	N/A	Public	Syracuse and Utica Walks	5,000
American Heart Association Syracuse, NY	N/A	Public	Donation	25,092
American Red Cross of Northern VT Burlington, VT	N/A	Public	Disaster Services	3,000
American Red Cross of Wayne Co Newark, NY	N/A	Public	Disaster Relief Fund	1,250
American Red Cross of Onondaga-Oswego Syracuse, NY	N/A	Public	Real Heroes Breakfast	10,000
Arthritis Foundation Rochester, NY	N/A	Public	Jingle Bell Run	500
Association for the Blind & Visually Impaired Watertown, NY	N/A	Public	Dining Out Cards	150
Benchmark Family Services Watertown, NY	N/A	Public	North Country Autism Walk/Run	(250)
Brain Injury Association of NYS Liverpool, NY	N/A	Public	Golf Tournament	2,000
Canter College Canter, NY	N/A	Public	Donation	1,000
Canter Potsdam Hospital Auxiliary Canter, NY	N/A	Public	Golf Tournament	1,500
Canter Potsdam Hospital Foundation Potsdam, NY	N/A	Public	Donation	6,862
Carthage Area Hospital Carthage, NY	N/A	Public	Medical Equipment	10,000
Cerebral Palsy of the North Country Watertown, NY	N/A	Public	Golf Tournament	250

KINNEY DRUGS FOUNDATION, INC.
EIN: 03-0406308
FOR THE YEAR ENDED DECEMBER 31, 2010

Statement 13

ATTACH TO FORM 990-PF

PART XV - SUPPLEMENTARY INFORMATION

Grants and Contributions Paid During the Year				
Name & Address	Relationship	Foundation Status of Recipient	Purpose of Grant or Contribution	Amount
Clifton-Fine Hospital Star Lake, NY	N/A	Public	Primary Care Clinic	5,000
Community General Hospital Syracuse, NY	N/A	Public	Circle of Friends Donation - Surgical Center	3,000
Cortland Sports Complex Cortland, NY	N/A	Public	Building Project	(1,000)
Crouse Health Foundation Syracuse, NY	N/A	Public	Tribute Evening	20,000
Down Syndrome Association of St. Lawrence County Canton, NY	N/A	Public	Buddy Walk	1,000
Disabled Persons Action Organization Watertown, NY	N/A	Public	Summer Concert Series	10,000
Ed Moses Walk/Relay For Life Gouverneur, NY	N/A	Public	Sponsorship	10,000
EJ Noble Hospital Auxiliary Gouverneur, NY	N/A	Public	Annual Fundraiser	50,000
Eldercare Foundation, Inc Syracuse, NY	N/A	Public	Cabaret Sponsor	1,000
Elizabethtown Community Hospital Elizabethtown, NY	N/A	Public	Golf Tournament	6,000
Elmcrest Children's Center Syracuse, NY	N/A	Public	Donation	1,000
Epidermolysis Bullosa Medical Research Foundation Beverly Hills, CA	N/A	Public	Donation	500
Francis House, Inc Syracuse, NY	N/A	Public	No Place Like Home Sponsorship	2,500
Frederic Remington Art Museum Ogdensburg, NY	N/A	Public	Donation	5,000
Gouverneur Business Women Gouverneur, NY	N/A	Public	Cancer Support Walk	1,000
Gouverneur Fire Department Gouverneur, NY	N/A	Public	Equipment	20,000
Greater Baldwinsville Ambulance Corps Baldwinsville, NY	N/A	Public	CPAP Devices	1,000
Greater Randolph Senior Center Randolph, VT	N/A	Public	Grand Opening	500
Heuvelton Volunteer Fire Dept & First Res Heuvelton, NY	N/A	Public	First Responders	250

KINNEY DRUGS FOUNDATION, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2010

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PART XV - SUPPLEMENTARY INFORMATION

Grants and Contributions Paid During the Year				
Name & Address	Relationship	Foundation Status of Recipient	Purpose of Grant or Contribution	Amount
Hospice of Jefferson County Watertown, NY	N/A	Public	Sponsorship	5,000
Hudson Headwaters Health Foundation Queensbury, NY	N/A	Public	Community Champions Dinner	1,000
Indoor Recreation of Orleans County Derby, VT	N/A	Public	Healthy Changes Initiative	1,000
Jim & Juli Boehm Foundation Syracuse, NY	N/A	Public	Coaches vs Cancer	3,000
Kinney Drugs, Inc Syracuse, NY	N/A	Public	AED Donation	1,325
Kinney Drugs, Inc Syracuse, NY	N/A	Public	Samaritan - Festival of Trees	750
Mountain Lake Services Port Henry, NY	N/A	Public	Helen F McDonald Memorial Golf Classic	100
Muscular Dystrophy Association Syracuse, NY	N/A	Public	Stride & Ride	1,000
Northern Area Health Education Center, Inc Canton, NY	N/A	Public	Pharmacy Program	15,000
National Alliance on Mental Illness Waterbury, VT	N/A	Public	2010 Walk	1,000
National Ataxia Foundation North Syracuse, NY	N/A	Public	Golf Tournament	460
NCCC Foundation Saranac Lake, NY	N/A	Public	Capital Campaign	1,000
NMC Run for Jim Foundation St Albans, VT	N/A	Public	Sponsorship	500
Northeast Disabled Athletics Association Burlington, VT	N/A	Public	Paddling Trip	2,500
Northern Area Volunteer Ambulance Corp North Syracuse, NY	N/A	Public	Golf Tournament	500
Randolph Village Fire Department Randolph, VT	N/A	Public	Grand Opening	500
Ronald McDonald House Charities Syracuse, NY	N/A	Public	CNY Invitational	1,200
Ryan's Wish Foundation Watertown, NY	N/A	Public	Run Sponsorship	350
Safeline, Inc Chelsea, VT	N/A	Public	You Are Not Alone	500

KINNEY DRUGS FOUNDATION, INC.
EIN: 03-0406308
FOR THE YEAR ENDED DECEMBER 31, 2010

Statement 13

ATTACH TO FORM 990-PF

PART XV - SUPPLEMENTARY INFORMATION

Grants and Contributions Paid During the Year				
Name & Address	Relationship	Foundation Status of Recipient	Purpose of Grant or Contribution	Amount
Samaritan Auxiliary Watertown, NY	N/A	Public	One Night One Diamond	500
Samaritan Medical Center Watertown, NY	N/A	Public	Medical Equipment	100,000
Skaneateles Ambulance Volunteer Emergency Services Skaneateles, NY	N/A	Public	Donation	1,000
Special Olympics of New York - Central Region Syracuse, NY	N/A	Public	2011 Winter Games	1,000
St Elizabeth Medical Center Foundation Utica, NY	N/A	Public	Bucky Dent Fundraiser	1,000
St Joseph's Home Syracuse, NY	N/A	Public	Donation	2,000
St Joseph's Hospital Health Ctr Foundation Syracuse, NY	N/A	Public	Sponsorship	10,000
St Lawrence NYS ARC Canton, NY	N/A	Public	Autism Awareness Walk	500
Susan G Komen Breast Cancer Foundation East Syracuse, NY	N/A	Public	Sponsorship	9,412
The Hicks Foundation South Burlington, VT	N/A	Public	Cinderfella Auction	1,000
Town of Waterbury Waterbury, VT	N/A	Public	Softball Tournament	100
United Helpers Ogdensburg, NY	N/A	Public	Donation	10,000
University of Connecticut Foundation Storrs, CT	N/A	Public	Scholarship	5,000
Vermont CARES Burlington, VT	N/A	Public	Champ Ride	1,000
Victim's Assistance Center Watertown, NY	N/A	Public	Taste of Town	1,000
Waterbury Ambulance Center Waterbury, VT	N/A	Public	Grand Opening Donation	500
Waterbury Senior Center Waterbury, VT	N/A	Public	Grand Opening Donation	500
Watertown Urban Mission Watertown, NY	N/A	Public	In Memory of Roberta Haggerty	400
Wayne County Nursing Home Foundation Lyons, NY	N/A	Public	Glider	1,000
Children's Miracle Network Watertown, NY	N/A	Public	Donation	142,000

597,201

KINNEY DRUGS FOUNDATION, INC.
EIN. 03-0406308
FOR THE YEAR ENDED DECEMBER 31, 2010

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ATTACH TO FORM 990-PF

PART XV - SUPPLEMENTARY INFORMATION

Grants and Contributions Approved for Future Payment				
Name & Address	Relationship	Foundation Status of Recipient	Purpose of Grant or Contribution	Amount
Albany College of Pharmacy Albany, NY	N/A	Public	Donation	184,749
Alice Hyde Medical Center Malone, NY	N/A	Public	Dialysis Machine	3,874
AMC Mercy (Adirondack Medical Center) Saranac Lake, NY	N/A	Public	Donation	1,937
American Heart Association Syracuse, NY	N/A	Public	Donation	19,370
Canton College Canton, NY	N/A	Public	Donation	1,906
Crouse Health Foundation Syracuse, NY	N/A	Public	Donation	73,900
EJ Noble Hospital Gouverneur, NY	N/A	Public	Donation	184,749
Elizabethtown Community Hospital Elizabethtown, NY	N/A	Public	Donation	11,439
Enable, Inc Syracuse, NY	N/A	Public	Donation	969
Frederic Remington Art Museum Ogdensburg, NY	N/A	Public	Donation	18,475
Gouverneur Fire Department Gouverneur, NY	N/A	Public	New Firehall	38,131
NCCC Foundation Saranac Lake, NY	N/A	Public	Capital Campaign	1,906
Samantan Medical Center Watertown, NY	N/A	Public	Donation	181,276
St Joseph's Home Syracuse, NY	N/A	Public	Donation	1,937
United Helpers Ogdensburg, NY	N/A	Public	Donation	28,151
University of Connecticut Foundation Storrs, CT	N/A	Public	Scholarship	4,843
Upstate Medical University Syracuse, NY	N/A	Public	Donation	45,472
Vera House Inc Syracuse, NY	N/A	Public	Donation	4,843
				<u>\$ 807,927</u>

**Kinney Foundation
EIN: 03-0406308**
Reconciliation of Contributions, Gifts, Grants Paid
For the Year Ended 12/31/10

Statement 15

Accrual Contributions, Gifts, Grants Paid	695,733
2009 Grants Payable	<u>709,395</u>
	1,405,128
2010 Grants Payable - Statement 14	<u>(807,927)</u>
Cash Contributions, Gifts, Grants Paid	<u><u>\$597,201</u></u>
Grants - Statement 13	<u><u>597,201</u></u>

KINNEY DRUGS FOUNDATION, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

* * *

DECEMBER 31, 2010 AND 2009

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Independent Auditor's Report on Financial Statements

May 24, 2011

To the Board of Directors of
Kinney Drugs Foundation, Inc.

We have audited the accompanying statements of financial position of Kinney Drugs Foundation, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kinney Drugs Foundation, Inc. as of December 31, 2010 and 2009, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KINNEY DRUGS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents (Note 1)	\$ 188,518	\$ 100,389
Interest receivable (Note 2)	19,086	19,086
Excise tax receivable (Note 4)	-	1,067
Due from Kinney Drugs, Inc. (Note 5)	2,832	5,354
Contribution receivable (Notes 1 and 5)	81,075	86,238
Investments (Notes 1, 2, and 7)	906,031	822,294
Other asset	465	-
Note receivable from Kinney Drugs, Inc. (Note 2)	<u>1,832,229</u>	<u>1,832,229</u>
	<u><u>\$ 3,030,236</u></u>	<u><u>\$ 2,866,657</u></u>
<u>Liabilities and Net Assets</u>		
Excise tax payable (Note 4)	\$ 1,109	\$ -
Grants payable (Note 3)	<u>807,927</u>	<u>709,395</u>
Total liabilities	<u>809,036</u>	<u>709,395</u>
Net assets (Note 1):		
Unrestricted	<u>2,221,200</u>	<u>2,157,262</u>
	<u><u>\$ 3,030,236</u></u>	<u><u>\$ 2,866,657</u></u>

See accompanying notes to financial statements.

KINNEY DRUGS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Revenue:		
Contributions (Note 5)	\$ 241,463	\$ 252,182
Fundraising events	381,587	333,412
Interest on note receivable (Note 2)	91,611	91,611
Dividends and interest	19,433	18,940
Net realized and unrealized gain on investments (Note 2)	<u>69,516</u>	<u>127,871</u>
Total revenue	<u>803,610</u>	<u>824,016</u>
Expenses:		
Administrative and general (Note 5)	81,115	59,290
Grants made to charitable organizations (Note 6)	552,233	520,937
Excise tax expense (Note 4)	2,470	1,790
Fundraising expenses	<u>103,854</u>	<u>116,741</u>
Total expenses	<u>739,672</u>	<u>698,758</u>
Change in net assets	63,938	125,258
Net assets, beginning of year	<u>2,157,262</u>	<u>2,032,004</u>
Net assets, end of year	<u>\$ 2,221,200</u>	<u>\$ 2,157,262</u>

See accompanying notes to financial statements.

KINNEY DRUGS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Cash flows from operating activities:		
Cash received from donors	\$ 561,582	\$ 537,820
Cash paid to outside suppliers	(116,290)	(127,084)
Cash paid to charitable organizations	(453,701)	(444,335)
Dividends and interest	111,044	110,551
Excise taxes refunds received	3,305	-
Excise taxes paid	(3,590)	(13,000)
Net cash provided by operating activities	<u>102,350</u>	<u>63,952</u>
Cash flows from investing activities:		
Purchase of investments	(689,550)	(36,024)
Proceeds from sale of investments	<u>675,329</u>	<u>21,574</u>
Net cash used for investing activities	<u>(14,221)</u>	<u>(14,450)</u>
Net increase in cash and cash equivalents	88,129	49,502
Cash and cash equivalents, beginning of year	<u>100,389</u>	<u>50,887</u>
Cash and cash equivalents, end of year	<u>\$ 188,518</u>	<u>\$ 100,389</u>

- CONTINUED -

See accompanying notes to financial statements.

KINNEY DRUGS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

(- CONTINUED -)

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>Reconciliation of change in net assets to net cash provided by operating activities</u>		
Change in net assets	\$ 63,938	\$ 125,258
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(69,516)	(127,871)
Provision for bad debts	20,000	-
(Accrual) decrease in excise tax receivable	1,067	(1,067)
Decrease in due from Kinney Drugs, Inc.	2,522	876
(Accrual) decrease in contribution receivable	(14,837)	297
Increase in other asset	(465)	-
Increase (decrease) in excise tax payable	1,109	(10,143)
Increase in grants payable	<u>98,532</u>	<u>76,602</u>
Net cash provided by operating activities	<u>\$ 102,350</u>	<u>\$ 63,952</u>

See accompanying notes to financial statements.

KINNEY DRUGS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

Nature of activities - Kinney Drugs Foundation, Inc. (the "Foundation") is a private charitable foundation. The Foundation was established to foster better health care throughout Central and Northern New York and Vermont by giving grants to organizations that are dedicated to help in the support of quality health care.

Basis of presentation - The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board's (the "FASB") authoritative guidance on financial statements of not-for-profit organizations. Under this guidance, the Foundation is required to report information regarding its assets, liabilities, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions and contribution receivable - Unconditioned promises to give are recognized as contribution revenue in the period received. Contribution receivable is stated at the amount management expects to collect from outstanding balances. Multi-year contributions are discounted to their present value using the prime interest rate. At December 31, 2010, contribution receivable due in less than one year is \$65,475; from one to five years is \$17,403 and the discount on the contribution receivable is \$1,803. At December 31, 2009, contribution receivable due in less than one year is \$65,292; from one to five years is \$23,257 and the discount on the contribution receivable is \$2,311.

Unrestricted net assets - Unrestricted net assets consist of the net assets of the Foundation that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. These amounts are available for the support of operations. The Foundation has no temporarily restricted or permanently restricted net assets.

Grants - Grants are recorded as an expense if they are unconditional and approved by the Board of Directors for payment. Multi-year grants are discounted to their present value using the prime interest rate.

Investments - Investments are reported at fair value in accordance with the FASB's authoritative guidance on accounting for certain investments held by not-for-profit organizations. The Foundation's investment process seeks to achieve a predictable, reliable and continuous source of funds to support the grants from the Foundation. Funds are invested in a well diversified asset mix, which includes primarily equity and fixed income securities, that is intended to result in a consistent inflation protected rate of return.

Fair value and financial instruments - Fair values of financial instruments are based upon quoted market prices where available. If such quoted market prices are not available, fair values are based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value and may include amounts based upon unobservable parameters. Any such valuation adjustments are applied consistently over time. The FASB issued authoritative guidance on fair value

measurements that defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements (See Note 7.)

Revenue recognition - All dividend and interest income from investments in securities is recognized as revenue when earned.

Income taxes - The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as an exempt private operating foundation.

The Foundation has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Foundation will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Foundation is no longer subject to Federal examinations by tax authorities for years before 2007.

Contributed services and facilities - During the years ended December 31, 2010 and 2009, the value of contributed services and facilities (other than the Foundation's administrator's salary, as disclosed in Note 5) meeting the requirements for recognition in the financial statements was not material and has not been recorded. These consisted mainly of accounting and administrative volunteers and facilities.

Cash and cash equivalents - The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Financial instruments and credit risks - The Foundation maintains cash balances, which may exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC), at one financial institution. Amounts in excess of FDIC insurance limits are subject to normal credit risk. The Foundation's investments are exposed to various risks, such as interest, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Foundation.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events - Management has evaluated subsequent events through May 24, 2011, the date which the financial statements were available for issue. There have been no subsequent events that would require disclosure or adjustment to the financial statements.

Note 2 - Investments

Investments are presented in the financial statements at fair value and are subject to normal market fluctuations. Investments consisted of the following:

	December 31, 2010		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 68,700	\$ 68,700	\$ -
Fixed income mutual funds	280,797	272,515	(8,282)
Equity mutual funds	<u>504,386</u>	<u>564,816</u>	<u>60,430</u>
	<u><u>\$ 853,883</u></u>	<u><u>\$ 906,031</u></u>	<u><u>\$ 52,148</u></u>

	December 31, 2009		
	Cost	Fair Value	Unrealized Appreciation
Money market funds	\$ 60,232	\$ 60,232	\$ -
Fixed income mutual funds	250,542	255,231	4,689
Equity mutual funds	<u>493,973</u>	<u>506,831</u>	<u>12,858</u>
	<u><u>\$ 804,747</u></u>	<u><u>\$ 822,294</u></u>	<u><u>\$ 17,547</u></u>

On April 17, 2008, Kinney Drugs, Inc. purchased all of the common stock of Kinney Drugs, Inc. held by the Foundation through their Joint Offer to Exchange. The terms of the agreement for the sale of the stock consisted of a 30% cash payment and 70% in the form of a promissory note. At the date of the sale, there were 29,083 shares with a fair market value of \$2,617,470. Therefore, \$785,241 was received in cash and \$1,832,229 was recorded as a promissory note. The note bears interest at the rate of 5% per annum, payable on a quarterly basis. The principal payments will be paid in April 2012 and April 2015 and will be equal to the greater of one-half of the original principal amount of the note or 80% of the appraised value of one-half of the number of shares originally purchased with the note. The promissory note is subject to credit risk.

Note 3 - Grants payable

Grants payable in more than one year are discounted to their present value at the time the grants are made using the prime interest rate. Grants payable are payable in the following periods:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Payable in less than one year	\$ 312,000	\$ 253,500
Payable in one to five years	<u>553,000</u>	<u>509,000</u>
	865,000	762,500
Less - Discounts on long-term grants payable	<u>57,073</u>	<u>53,105</u>
Grants payable	<u>\$ 807,927</u>	<u>\$ 709,395</u>

Note 4 - Income taxes

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as an exempt private operating foundation. However, private operating foundations are subject to an excise tax on net investment income. The excise tax was 2% of net investment income for the years ended December 31, 2010 and 2009. The excise tax expense was \$2,470 and \$1,790 in 2010 and 2009, respectively. The Foundation received a refund of \$438 and \$2,857 in 2010 representing 2009 and 2008 overpayments, respectively.

Deferred excise taxes arise from unrealized gains or losses on investments. At December 31, 2010 and 2009, deferred excise taxes are not material to the Foundation's financial statements and, therefore, have not been recorded.

Note 5 - Related party transactions

Certain Board members of the Foundation are also members of the Board of Directors of Kinney Drugs, Inc. The Foundation receives support from Kinney Drugs, Inc. for the continuance of the Foundation, including cash contributions, contributed services and use of facilities. In 2010 and 2009, the Foundation received cash contributions of approximately \$155,000 and \$180,000, respectively, from Kinney Drugs, Inc. The Foundation's administrator's salary is paid by Kinney Drugs, Inc. The Foundation recognized approximately \$49,100 and \$49,000 as contribution revenue and salary expense in 2010 and 2009, respectively. Certain Board members and employees of Kinney Drugs, Inc. have pledged contributions to the Foundation. Contribution receivable includes approximately \$45,000 and \$42,000 from Board members and employees at December 31, 2010 and 2009, respectively.

Note 6 - Agency transaction

The Foundation sponsors an annual fundraising campaign on behalf of the Children's Miracle Network ("CMN") through sales of CMN balloons in the Company's stores. This annual fundraising campaign raised the following funds that were remitted to CMN in addition to the amount remitted from the Foundation's resources:

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
CMN balloon sales received	\$ 134,088	\$ 73,762
Amount remitted from the Foundation's resources	<u>7,912</u>	<u>38,238</u>
Total amount remitted	\$ 142,000	\$ 112,000

As the specified beneficiary of the balloon sales was CMN, these funds have been excluded from the Foundation's revenue and expenses in the accompanying statements of activities.

Note 7 - Fair value measurements

The FASB's authoritative guidance on fair value measurements provides a framework for measuring fair value under generally accepted accounting principles. The guidance applies to all financial instruments that are being measured and disclosed on a fair value basis.

As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, various assumptions are utilized, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability. Financial assets measured at fair value on a recurring basis include investments. The Foundation's investments are reported at fair value utilizing Level 1 and 2 inputs.

The fair value for investments measured on a recurring basis is as follows:

	December 31, 2010			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market funds	\$ -	\$ 68,700	\$ -	\$ 68,700
Fixed income mutual funds	272,515	-	-	272,515
Equity mutual funds	<u>564,816</u>	<u>-</u>	<u>-</u>	<u>564,816</u>
	<u>\$ 837,331</u>	<u>\$ 68,700</u>	<u>\$ -</u>	<u>\$ 906,031</u>

	December 31, 2009			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market funds	\$ -	\$ 60,232	\$ -	\$ 60,232
Fixed income mutual funds	255,231	-	-	255,231
Equity mutual funds	<u>506,831</u>	<u>-</u>	<u>-</u>	<u>506,831</u>
	<u>\$ 762,062</u>	<u>\$ 60,232</u>	<u>\$ -</u>	<u>\$ 822,294</u>

Independent Auditor's Report on Supplementary Information

May 24, 2011

To the Board of Directors of
Kinney Drugs Foundation, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of grants made to charitable organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SUPPLEMENTARY INFORMATION

KINNEY DRUGS FOUNDATION, INC.

SCHEDULES OF GRANTS MADE TO CHARITABLE ORGANIZATIONS

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
AIDS Community Resources	\$ 1,750	\$ 1,750
Albany College of Pharmacy	-	250,000
ALS Association of Upstate NY	-	500
Alzheimer's Association Memory Walk	1,250	1,250
American Brain Tumor Association	500	500
American Cancer Society	4,000	24,700
American Diabetes Association	5,000	6,000
American Heart Association	25,092	47,500
American Red Cross	-	15,000
ARC of Northern Vermont	1,500	-
ARC of Onondaga County	5,000	-
ARC of Wayne County	250	500
Arthritis Foundation	500	1,000
Association for the Blind and Visually Impaired	150	-
Benchmark Family Services	-	250
Brain Injury Association of NYS	4,000	2,000
Cancer Resource Center of the Finger Lakes	-	500
Canton Potsdam Hospital	6,862	6,112
Canton Potsdam Hospital Auxiliary	1,500	-
Cerebral Palsy of the North Country	250	1,000
Children's Miracle Network	7,912	38,238
Clifton-Fine Hospital	5,000	-
CNY Ronald McDonald House	-	1,000
Comfortcare of Cayuga County, Inc	-	500
Committee on Temporary Shelter	-	500
Community General Hospital	3,000	5,000
Cortland Memorial Hospital Foundation	-	2,500
Canton/Potsdam Hospital Guild	-	1,500
Crouse Health Foundation	100,000	5,500
Central Vermont Home Health & Hospice	-	250
Disabled Persons Action Organization	10,000	10,000
Down Syndrome Assoc of St. Lawrence County	1,000	-
Edward I. Moses Walk Run for Life	10,000	10,000
EJ Noble Hospital	250,000	1,000
Eldercare Foundation, Inc.	1,000	1,000
Elmcrest Children's Center	1,000	1,000
Enable Golf Tournament	1,000	450
Epidermolysis Bullosa Medical Research Foundation	500	-

- CONTINUED -

KINNEY DRUGS FOUNDATION, INC.

SCHEDULES OF GRANTS MADE TO CHARITABLE ORGANIZATIONS

(- CONTINUED -)

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Francis House, Inc.	2,500	2,500
Frederic Remington Art Museum	-	30,000
Gouverneur Business Women Breast Cancer Walk	2,000	-
Greater Baldwinsville Ambulance Corps	1,000	-
Greater Randolph Senior Center	500	-
Heuvelton Volunteer Fire Dept & First Response	250	200
High Peaks Hospice	-	500
Hospice Foundation of CNY	-	1,000
Hospice of Jefferson County	5,000	5,000
Hudson Headwaters Health Foundation	1,000	-
Indoor Recreation of Orleans County	1,000	1,000
TI Emergency Rescue Service, Inc	-	1,000
Jim and Juli Boeheim Foundation	3,000	-
March of Dimes	-	2,000
Mental Health Association of Onondaga County	-	500
Mountain Lake Services	100	-
Multiple Sclerosis Resources of CNY	-	750
Muscular Dystrophy Association	1,000	-
Northern Area Health Education Center	15,000	10,000
National Alliance on Mental Illness	1,000	-
National Ataxia Foundation	460	460
National Kidney Foundation of CNY	-	250
National Multiple Sclerosis Society	-	1,000
NMC Run for Jim Foundation	500	500
North Country Children's Clinic	-	100
Northeast Disabled Athletics Association	2,500	-
Northern Area Volunteer Ambulance Corp	500	500
Onondaga-Oswego American Red Cross	-	5,000
Randolph Village Fire Department	500	-
Riverview Park Association	1,324	-
Ronald McDonald House Charities	1,200	-
Ryan's Wish Foundation	350	-
Safeline, Inc.	500	-
Samaritan Foundation	750	-
Samaritan Medical Center	500	500
Skaneateles Ambulance Volunteer Emergency Services	1,000	-

- CONTINUED -

KINNEY DRUGS FOUNDATION, INC.

SCHEDULES OF GRANTS MADE TO CHARITABLE ORGANIZATIONS

(- CONTINUED -)

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Southern Oswego Volunteer Ambulance Corps	-	1,000
Southern Tier AIDS Program	-	500
Special Olympics of New York - Central Region	1,000	-
St. Elizabeth Medical Center Foundation	1,000	-
St. Joseph's Home	-	6,000
St. Joseph's Hospital Health Center Foundation	10,000	10,000
St. Lawrence NYS ARC	500	-
Susan G. Komen Breast Cancer Foundation	-	2,500
The Hicks Foundation	1,000	2,500
Town of Waterbury	100	100
Trudeau Institute	-	500
Two Smiles One Hope Foundation	-	1,000
Upstate Medical University	50,000	-
Vera House, Inc.	5,000	5,000
Vermont CARES	1,000	-
Victim's Assistance Center	1,000	1,000
Village of Minoa Ambulance	-	1,000
Volunteer Center of Jefferson County	-	1,000
Volunteer Transportation Center	-	500
Waterbury Ambulance Center	500	-
Waterbury Senior Center	500	-
Watertown Urban Mission	400	-
Wayne County Nursing Home Foundation	1,000	-
Reversal of previous grant authorized but not paid	<u>(8,250)</u>	<u>(5,525)</u>
Grants authorized	556,200	526,835
Change in discounts on long-term grants payable	<u>(3,967)</u>	<u>(5,898)</u>
Grants made to charitable organizations	<u>\$ 552,233</u>	<u>\$ 520,937</u>

Application for Extension of Time To File an
Exempt Organization Return

► File a separate application for each return.

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box
- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on e-file for Charities & Nonprofits.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete

Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print File by the due date for filing your return. See instructions	Name of exempt organization KINNEY DRUGS FOUNDATION, INC.	Employer identification number 03-0406308
	Number, street, and room or suite no. If a P.O. box, see instructions 29 E. MAIN STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. GOUVERNEUR, NY 13642	

Enter the Return code for the return that this application is for (file a separate application for each return)

0 4

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STEPHEN P. MCCOY, SEC./TREASURER

- The books are in the care of ► **29 EAST MAIN STREET - GOUVERNEUR, NY 13642**
Telephone No. ► **(315) 425-7960** FAX No. ► _____

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ► . If it is for part of the group, check this box ► and attach a list with the names and EINs of all members the extension is for

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until
AUGUST 15, 2011, to file the exempt organization return for the organization named above. The extension

is for the organization's return for

► calendar year **2010** or► tax year beginning _____, and ending _____.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	3a	\$ 1,800.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit	3b	\$ 1,800.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions	3c	\$ 0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

LHA For Paperwork Reduction Act Notice, see Instructions.

Form 8868 (Rev. 1-2011)