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

2011

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

For calendar year 2011 or tax year beginning

10/1/11

, and ending

9/30/12

Name of foundation

Kenneth L Kellar Foundation

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

P O Box 2750

City or town, state, and ZIP code

Blaine

WA

98230
-08040

G Check all that apply: Initial return Initial return of a former public charity
 Final return Amended return
 Address change Name change

H Check type of organization: Section 501(c)(3) exempt private foundation 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) ► \$ 2,003,729 (Part I, column (d) must be on cash basis.)

J Accounting method: Cash Accrual Other (specify)

A Employer identification number

91-1425050

B Telephone number (see instructions)

(360) 332-5239

C 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 ► 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 instructions))

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
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1 Contributions, gifts, grants, etc., received (attach schedule)				
2 Check ► <input type="checkbox"/> if the foundation is not required to attach Sch B				
3 Interest on savings and temporary cash investments	57	57	57	
4 Dividends and interest from securities				
5 a Gross rents	252,464	252,464	252,464	
b Net rental income or (loss)	-3,040			
6 a Net gain or (loss) from sale of assets not on line 10	-113,036			
b Gross sales price for all assets on line 6a	650,000			
7 Capital gain net income (from Part IV, line 2)		0	0	
8 Net short-term capital gain		0	0	
9 Income modifications		3	1	
10 a Gross sales less returns and allowances	0			
b Less: Cost of goods sold	0			
c Gross profit or (loss) (attach schedule)	0			
11 Other income (attach schedule)	10,218	0	10,218	
12 Total. Add lines 1 through 11	149,703	252,521	262,739	
13 Compensation of officers, directors, trustees, etc	0			
14 Other employee salaries and wages	27,288	26,552	26,552	
15 Pension plans, employee benefits				
16 a Legal fees (attach schedule)	1,284	1,284	1,284	1,284
b Accounting fees (attach schedule)	0	0	0	0
c Other professional fees (attach schedule)	0	0	0	0
17 Interest	71,176	72,590	72,590	
18 Taxes (attach schedule) (see instructions)	46,123	46,123	46,123	100
19 Depreciation (attach schedule) and depletion	83,989	83,989	82,809	
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications				
23 Other expenses (attach schedule)	52,694	54,685	54,685	694
24 Total operating and administrative expenses.				
Add lines 13 through 23	282,554	285,223	284,043	2,078
25 Contributions, gifts, grants paid	0			0
26 Total expenses and disbursements. Add lines 24 and 25	282,554	285,223	284,043	2,078
27 Subtract line 26 from line 12				
a Excess of revenue over expenses and disbursements	-132,851			
b Net investment income (if negative, enter -0-)		0		
c Adjusted net income (if negative, enter -0-)				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	30,855	21,955	21,955
	2	Savings and temporary cash investments	4,014	4,017	
	3	Accounts receivable ►	2,509		
		Less: allowance for doubtful accounts ►	0	2,509	1,386
	4	Pledges receivable ►	0		
		Less: allowance for doubtful accounts ►	0	0	0
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)		0	0
	7	Other notes and loans receivable (attach schedule) ►	0		
		Less allowance for doubtful accounts ►	0	0	0
	8	Inventories for sale or use			
	9	Prepaid expenses and deferred charges			
	10	a Investments—U S and state government obligations (attach schedule)		0	0
	b	Investments—corporate stock (attach schedule)		0	0
	c	Investments—corporate bonds (attach schedule)		0	0
Liabilities	11	Investments—land, buildings, and equipment basis ►	2,954,925		
		Less accumulated depreciation (attach schedule) ►	963,246	2,333,052	1,991,679
	12	Investments—mortgage loans			
	13	Investments—other (attach schedule)		0	0
	14	Land, buildings, and equipment: basis ►	249,598		
		Less accumulated depreciation (attach schedule) ►	14,323	724,451	235,275
	15	Other assets (describe ►)		3	0
	16	Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I)		3,094,884	2,254,312
	17	Accounts payable and accrued expenses		30,255	35,495
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons		0	0
	21	Mortgages and other notes payable (attach schedule)		1,521,776	1,245,720
	22	Other liabilities (describe ► See Attached Statement)		587,956	151,053
	23	Total liabilities (add lines 17 through 22)		2,139,987	1,432,268
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ► <input type="checkbox"/>				
	and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted			
	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		954,897	822,044
	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 instructions)		954,897	822,044
	31	Total liabilities and net assets/fund balances (see instructions)		3,094,884	2,254,312

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	954,897
2	Enter amount from Part I, line 27a	2	-132,851
3	Other increases not included in line 2 (itemize) ►	3	0
4	Add lines 1, 2, and 3	4	822,046
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	822,046

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.)
a					
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 0	0	0	0	0	0
b 0	0	0	0	0	0
c 0	0	0	0	0	0
d 0	0	0	0	0	0
e 0	0	0	0	0	0
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 0	0	0	0	0	0
b 0	0	0	0	0	0
c 0	0	0	0	0	0
d 0	0	0	0	0	0
e 0	0	0	0	0	0
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	0	0
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 instructions). If (loss), enter -0- in Part I, line 8			3	0	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 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))
2010	2,250	556,705	0.004042
2009	11,850	1,267,080	0.009352
2008	31,644	1,097,172	0.028841
2007	275,622	1,262,929	0.218240
2006	430,110	1,526,059	0.281844
2 Total of line 1, column (d)			2 0.542319
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 0.108464
4 Enter the net value of noncharitable-use assets for 2011 from Part X, line 5			4 847,522
5 Multiply line 4 by line 3			5 91,926
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 919
7 Add lines 5 and 6			7 92,845
8 Enter qualifying distributions from Part XII, line 4			8 2,078
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)1 a 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 2011 estimated tax payments and 2010 overpayment credited to 2011

6a 0

b Exempt foreign organizations—tax withheld at source

6b

c Tax paid with application for extension of time to file (Form 8868)

6c 0

d Backup withholding erroneously withheld

6d

7 Total credits and payments. Add lines 6a through 6d

7 0

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

8 0

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

9 0

10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid

10 0

11 Enter the amount of line 10 to be: Credited to 2012 estimated tax ►

0

Refunded

11 0

Part VII-A Statements Regarding Activities

1 a 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 X

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)?

1b Yes X

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.

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

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

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

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

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

2 Yes X

If "Yes," attach a detailed description of the activities.

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 Yes X

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

4a Yes X

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

4b N/A

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

5 Yes X

If "Yes," attach the statement required by General Instruction T.

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

6 Yes X

- 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?

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 X

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

Washington

b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney

8b Yes X

General (or designate) of each state as required by General Instruction G? If "No," attach explanation

9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3)

9 Yes X

or 4942(j)(5) for calendar year 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? If "Yes," complete Part XIV

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

10 Yes X

Part VII-A Statements Regarding Activities (continued)

11		X
12		X
13	X	
Website address ► N/A		
14	The books are in care of ► Michelle Geer	Telephone no ► (360) 332-5239
Located at ► 279 C St Blaine WA ZIP+4 ► 98230		
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
16	At any time during calendar year 2011, 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 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	Yes No	
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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.)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b	1b N/A	
c	1c	
2	2b N/A	
a	2a	
b	2b N/A	
c	2c	
3a	3a	
b	3b N/A	
4a	4a X	
b	4b X	

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

1b. 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 instructions)? Organizations relying on a current notice regarding disaster assistance check here ►

1c. 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 2011? ►

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 2011, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2011? 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 instructions.)

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 2011 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 2011.)

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

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 2011?

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)? (see instructions)	<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)? Organizations relying on a current notice regarding disaster assistance check here ► <input type="checkbox"/>			5b N/A
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>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
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? <i>If "Yes" to 6b, file Form 8870</i>			6b
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?			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 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
Kristine Moe 5459 Reese Hill Road Sumas WA 98295	President 50.00	0	0	
Hugh Janzen 402 Minnesota AVE N Aitkin MN 56431	Director 20.00	0	0	0
Mark Packer 119 N Commercial Ave Bellingham WA 98225	Director 20.00	0	0	0
Fred Sjoholm 9115 Fortuna Drive ste 6412 Mercer Island WA	Director 20.00	0	0	0

2 Compensation of five highest-paid employees (other than those included on line 1—see 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
NONE				
.....				
.....				
.....				
.....				
.....				
Total number of other employees paid over \$50,000				►

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 instructions). If none, enter "NONE."		
(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		0
.....		0
.....		0
.....		0
.....		0
.....		0
Total number of others receiving over \$50,000 for professional services		►

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 (see instructions)

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	.....	.....
All other program-related investments. See instructions		.....
3	.....	.....
Total. Add lines 1 through 3		0

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	
b	Average of monthly cash balances	1b	74,266
c	Fair market value of all other assets (see instructions)	1c	1,906,882
d	Total (add lines 1a, b, and c)	1d	1,981,148
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2	Acquisition indebtedness applicable to line 1 assets	2	1,120,720
3	Subtract line 2 from line 1d	3	860,428
4	Cash deemed held for charitable activities. Enter 1 1/2 % of line 3 (for greater amount, see instructions)	4	12,906
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	847,522
6	Minimum investment return. Enter 5% of line 5	6	42,376

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	42,376
2a	Tax on investment income for 2011 from Part VI, line 5	2a	0
b	Income tax for 2011. (This does not include the tax from Part VI.)	2b	0
c	Add lines 2a and 2b	2c	0
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	42,376
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	42,376
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	42,376

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes	1a	2,078
a	Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	1b	0
b	Program-related investments—total from Part IX-B	2	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	3a	
3	Amounts set aside for specific charitable projects that satisfy the:	3b	0
a	Suitability test (prior IRS approval required)	4	2,078
b	Cash distribution test (attach the required schedule)	5	0
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	6	2,078
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 instructions)		
6	Adjusted qualifying distributions. Subtract line 5 from line 4		

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)

	(a) Corpus	(b) Years prior to 2010	(c) 2010	(d) 2011
1 Distributable amount for 2011 from Part XI, line 7				42,376
2 Undistributed income, if any, as of the end of 2011:				
a Enter amount for 2010 only			0	
b Total for prior years: 20 ____ , 20 ____ , 20 ____		0		
3 Excess distributions carryover, if any, to 2011:				
a From 2006	287,015			
b From 2007	212,476			
c From 2008	0			
d From 2009	0			
e From 2010	0			
f Total of lines 3a through e	499,491			
4 Qualifying distributions for 2011 from Part XII, line 4: ► \$ 2,078				
a Applied to 2010, but not more than line 2a			0	
b Applied to undistributed income of prior years (Election required—see instructions)		0		
c Treated as distributions out of corpus (Election required—see instructions)	0			
d Applied to 2011 distributable amount			2,078	
e Remaining amount distributed out of corpus	0			
5 Excess distributions carryover applied to 2011 (If an amount appears in column (d), the same amount must be shown in column (a))	40,298			40,298
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	459,193			
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				
d Subtract line 6c from line 6b. Taxable amount—see instructions		0		
e Undistributed income for 2010 Subtract line 4a from line 2a Taxable amount—see instructions			0	
f Undistributed income for 2011. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2012				0
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)				
8 Excess distributions carryover from 2006 not applied on line 5 or line 7 (see instructions)	246,717			
9 Excess distributions carryover to 2012. Subtract lines 7 and 8 from line 6a	212,476			
10 Analysis of line 9:				
a Excess from 2007	212,476			
b Excess from 2008	0			
c Excess from 2009	0			
d Excess from 2010	0			
e Excess from 2011	0			

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 2011, enter the date of the ruling ►

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

	Tax year (a) 2011	Prior 3 years			(e) Total
		(b) 2010	(c) 2009	(d) 2008	
1 a	0				0
b 85% of line 2a	0	0	0	0	0
c Qualifying distributions from Part XII, line 4 for each year listed	0				0
d Amounts included in line 2c not used directly for active conduct of exempt activities					0
e Qualifying distributions made directly for active conduct of exempt activities.					0
Subtract line 2d from line 2c	0	0	0	0	0
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test—enter:					
(1) Value of all assets					0
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					0
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed	0				0
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)					0
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(ii)					0
(3) Largest amount of support from an exempt organization					0
(4) Gross investment income					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 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 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.

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> none were made during year	none		education	
Blaine WA				
Total			► 3a	0
<i>b Approved for future payment</i>				
Total			► 3b	0

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue:					
a		0			0
b		0			0
c		0			0
d		0			0
e		0			0
f		0			0
g Fees and contracts from government agencies . . .					
2 Membership dues and assessments . . . . .			.
3 Interest on savings and temporary cash investments . . .	900099	57			
4 Dividends and interest from securities					
5 Net rental income or (loss) from real estate:					
a Debt-financed property	531110	-17,337			
b Not debt-financed property	531190	14,297			
6 Net rental income or (loss) from personal property . . .					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory . . .					0
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue: a		0			0
b		0			0
c		0			0
d		0			0
e		0			0
12 Subtotal. Add columns (b), (d), and (e)		-2,983			0
13 Total. Add line 12, columns (b), (d), and (e)					13 -2,983

(See worksheet in line 13 instructions to verify calculations)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. _____ Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes). (See instructions.)

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)	X
(2)	Other assets	1a(2)	X
b	Other transactions:		
(1)	Sales of assets to a noncharitable exempt organization	1b(1)	X
(2)	Purchases of assets from a noncharitable exempt organization	1b(2)	X
(3)	Rental of facilities, equipment, or other assets	1b(3)	X
(4)	Reimbursement arrangements	1b(4)	X
(5)	Loans or loan guarantees	1b(5)	X
(6)	Performance of services or membership or fundraising solicitations	1b(6)	X
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c	X
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.		

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

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) is based on all information of which preparer has any knowledge

May the IRS discuss this return
with the preparer shown below (see
instructions)? Yes No

**Sign
Here**

Signature of officer or trustee

Date

Title

Paid Preparer Use Only	Print/Type preparer's name <i>SELF PREPARED</i> <i>Fredric Sjoholm</i>	Preparer's signature	Date 2/15/2013	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	Firm's name ►	Firm's EIN ►			
	Firm's address ►	Phone no			

Part VIII, Line 1 (990-PF) - Compensation of Officers, Directors, Trustees and Foundation Managers

	Name	Check "X" if Business	Street	City	State	Zip Code	Foreign Country	Title	Average Hours
1	Kristine Moe		5459 Reese Hill Road	Sumas	WA	98295		President	50.00
2	Hugh Janzen		402 Minnesota Ave N	Aitkin	MN	56431		Director	20.00
3	Mark Packer		119 N Commercial Ave	Bellingham	WA	98225		Director	20.00
4	Fred Sjoholm		9115 Fortuna Drive ste 6412	Mercer Island	WA	98040		Director	20.00
5									
6									
7									
8									
9									
10									

Line 11 (990-PF) - Other Income

	Description	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income
1	rent subsidy, city of Atkin	9,648	0	9,648
2	income tax refund	570	0	570
3			0	
4			0	
5			0	
6			0	
7			0	
8			0	
9			0	
10			0	

Line 16a (990-PF) - Legal Fees

	Name of Organization or Person Providing Service	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes (Cash Basis Only)	Q
1	Jeff Haberkom	225	225	225	225	
2	William Knudsen	270	270	270	270	
3	Barker Wilson Law Firm	789	789	789	789	
4						
5						
6						
7						
8						
9						
10						

Line 18 (990-PF) - Taxes

	Description	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes	100
1	Real estate tax not included in line 20	46,023	46,023	46,023		
2						
3	licenses	100	100	100		
4						
5						
6						
7						
8						
9						
10						

Line 19 (990-PF) - Depreciation and Depletion

	Description	Date Acquired	Method of Computation	Asset Life	Cost or Other Basis	Beginning Accumulated Depreciation	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income
1	Blaine visitor Center	7/1/1996	SL	39	73,555	28,684	1,886	1,886	1,886
2	Aitkin house	7/1/2006	SL	27.5	61,758	11,697	2,246	2,246	2,246
3	Homestead Mansion	7/1/2002	SL	39	322,155	76,084	688	688	688
4	Administrative equipment	10/1/2004	SL	7	2,380	2,380	0	0	0
5	Administrative office equipment	12/1/2001	SL	7	8,605	8,605			
6	Office furniture	6/1/2003	SL	7	5,718	5,718			
7	Commerce building	8/1/2002	SL	39	992,904	232,313	25,459	25,459	25,459
8	Commerce building	8/1/2003	SL	39	273,273	56,832	7,007	7,007	7,007
9	Commerce building	9/1/2004	SL	39	18,496	3,399	474	474	474
10	Improvement	7/1/2006	SL	7	24,447	7,857	3,492	3,492	3,492
11	Improvement	8/3/2012	SL	7	10,091	0	360	360	360
12	Improvement	12/14/2011	SL	7	4,900	0	700	700	700
13	Aitkin Townhouses	10/1/1998	SL	27.5	1,126,518	528,477	40,964	40,964	40,964
14	Townhouse improvements	7/1/1989	SL	5	7,517	7,517	0	0	0
15	Town houses equipment	4/1/2006	SL	7	3,940	3,096	563	563	563

Line 23 (990-PF) - Other Expenses

	Description	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
1	bank charges	43	43	43	43
2	Advertising	71	71	71	71
3	Office supplies	660	660	660	66
4	Dues	252	252	252	252
5	Meetings	37	37	37	37
6	Telephone	1,414	1,414	1,414	141
7	Internet	839	839	839	84
8	Insurance	18,295	18,295	18,295	
9	repairs & maintenance	16,241	16,241	16,241	
10	Lawn care & snow removal	7,219	7,219	7,219	
11	Utilities	9,614	9,614	9,614	9,614
12	reversal of prior period expenses	-2,087			
13	miscellaneous	96			
14	rounding	0			
					694
				54,685	
				54,685	

Part II, Line 21 (990-PF) - Mortgages and Other Notes Payable

	Name of Lender	Title	Check "X" if Business	Original Amount	Beg. of Year	Balance Due	Balance Due End of Year	Security Provided	Date of Note
1	Security State Bank	unsecured		225,000	225,000		125,000	none	
2	Security State Bank	910630			330,015		292,517	Altkin town houses	
3	Greater Minnesota housing			267,092		267,092	267,092	Altkin Town houses	
4	Security State Bank	9269			599,669		561,111	commerce building	
5									
6									
7									
8									
9									
10									

Part

Part						0	
Maturity Date	Repayment Terms	Interest Rate	Purpose of Loan	Description	Consideration	Fair Market Value of Consideration	Relationship
1		5.40%	purchase of land				
2	4662.62 per due 2018	5.85% % 6695 per mo	build townhouses build townhouses construct Commerce bldg	subsidized housing subsidized housing eye care center, bring to Aitkin			none none
3							
4							
5							
6							
7							
8							
9							
10							

Part II, Line 22 (990-PF) - Other Liabilities

	Description	Beginning Balance	Ending Balance
		587,956	151,053
1	Advances from related corporation	98,601	17,416
2	Advances Estate of Kenneth Kellar	489,355	133,637
3			
4			
5			
6			
7			
8			
9			
10			

Part

	Compensation	Benefits	Expense Account	Explanation
1	0	0	0	
2	0	0	0	
3	0	0	0	
4	0	0	0	
5				
6				
7				
8				
9				
10				

Part X, Line 1e (990-PF) - Explanation of Reduction Claimed for Blockage or Other Factors.

Part X, Line 4 (990-PF) - Explanation for Entering Amount Larger than 1 1/2% FMV of Assets

Cash deemed held for charitable activities 12,906

Please provide an explanation for entering a cash amount larger than 1 1/2% of the fair market value of all assets.

REAL ESTATE TAX DUE IN OCTOBER