Form **990-PF**

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0052

2011

For calendar year 2011 or tax year beginning November 01 **, 2011, and ending** October 31, **, 20**12

Name of foundation The Lester and Bernice Smith Foundation		**A Employer identification number** 91-1156087
Number and street (or P O box number if mail is not delivered to street address) P.O.Box 3010	Room/suite	**B** Telephone number (see instructions) 425-455-0923
City or town, state, and ZIP code Bellevue, WA 98009		**C** If exemption application is pending, check here ▶ ☐

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

D 1. Foreign organizations, check here ▶ ☐
2. Foreign organizations meeting the 85% test, check here and attach computation ▶ ☐

H Check type of organization: ☒ Section 501(c)(3) exempt private foundation ☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ ☐

I Fair market value of all assets at end of year *(from Part II, col. (c), line 16)* ▶ $4,784,541

J Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ________ *(Part I, column (d) must be on cash basis.)*

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))*

	Line	Description	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1	Contributions, gifts, grants, etc., received (attach schedule)				
	2	Check ▶ ☒ if the foundation is **not** required to attach Sch. B				
	3	Interest on savings and temporary cash investments	5,044	5,044	5,044	
	4	Dividends and interest from securities	135,816	135,816	135,816	
	5a	Gross rents				
	b	Net rental income or (loss)				
	6a	Net gain or (loss) from sale of assets not on line 10	56,874			
	b	Gross sales price for all assets on line 6a 1,037,664				
	7	Capital gain net income (from Part IV, line 2)		56,874		
	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) (attach schedule)				
	11	Other income (attach schedule)				
	12	**Total.** Add lines 1 through 11	197,734	197,734	140,860	
Operating and Administrative Expenses	13	Compensation of officers, directors, trustees, etc.				
	14	Other employee salaries and wages				
	15	Pension plans, employee benefits				
	16a	Legal fees (attach schedule)				
	b	Accounting fees (attach schedule)(STMT I)	200			200
	c	Other professional fees (attach schedule)(STMT II)	26,577	26,577	26,577	
	17	Interest				
	18	Taxes (attach schedule) (see instructions)(STMT III)	2,333	483		
	19	Depreciation (attach schedule) and depletion				
	20	Occupancy				
	21	Travel, conferences, and meetings				
	22	Printing and publications				
	23	Other expenses (attach schedule)(STMT IV)	1,007			902
	24	**Total operating and administrative expenses.** Add lines 13 through 23	30,117	27,060	26,577	1,102
	25	Contributions, gifts, grants paid	252,848			252,848
	26	**Total expenses and disbursements.** Add lines 24 and 25	282,965	27,060	26,577	253,950
	27	Subtract line 26 from line 12:				
	a	**Excess of revenue over expenses and disbursements**	(85,231)			
	b	**Net investment income** (if negative, enter -0-)		170,674		
	c	**Adjusted net income** (if negative, enter -0-)			114,283	

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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 (a) Book Value	End of year (b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing			
	2 Savings and temporary cash investments	1,334,634	1,179,847	1,179,793
	3 Accounts receivable ▶			
	Less: allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	Less: allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7 Other notes and loans receivable (attach schedule) ▶			
	Less: allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments—U.S. and state government obligations (attach schedule)			
	b Investments—corporate stock (attach schedule) (STMT V)	974,546	1,117,721	1,539,340
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment: basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule) (STMT VI)	2,081,305	1,992,778	2,065,408
	14 Land, buildings, and equipment: basis ▶			
	Less. accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶ Unsettled Trade Receivable		14,908	-0-
	16 Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I)	4,390,485	4,305,254	4,784,541
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)			
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ ☐ and complete lines 24 through 26 and lines 30 and 31.			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ ☒ and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds	5,129,049	4,390,485	
	28 Paid-in or capital surplus, or land, bldg., and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds	(738,564)	(85,231)	
	30 Total net assets or fund balances (see instructions)	4,390,485	4,305,254	
	31 Total liabilities and net assets/fund balances (see instructions)	4,390,485	4,305,254	

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	4,390,485
2	Enter amount from Part I, line 27a	2	(85,231)
3	Other increases not included in line 2 (itemize) ▶	3	
4	Add lines 1, 2, and 3	4	4,305,254
5	Decreases not included in line 2 (itemize) ▶	5	
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	4,305,254

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	* PLEASE SEE ATTACHMENT FOR DETAILS *			
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	* PLEASE SEE ATTACHMENT FOR DETAILS *			
c				
d				
e				

	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	*PLEASE SEE ATTACHMENT FOR DETAILS *			
c				
d				
e				

2	Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 }	2	56,874
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	(16,606)

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	310,832	4,731,172	6.6
2009	224,234	4,374,300	5.1
2008	232,616	3,800,974	6.1
2007	227,289	4,629,105	4.9
2006	197,167	4,824,950	4.1

2	**Total** of line 1, column (d)	2	26.8
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	5.4
4	Enter the net value of noncharitable-use assets for 2011 from Part X, line 5	4	4,666,306
5	Multiply line 4 by line 3	5	251,981
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	1,707
7	Add lines 5 and 6	7	253,688
8	Enter qualifying distributions from Part XII, line 4	8	253,950

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 ▶ [X] and enter 1% of Part I, line 27b	1	1,707	
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-)	2	-0-	
3	Add lines 1 and 2	3	1,707	
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	4	-0-	
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-	5	1,707	
6	Credits/Payments:			
a	2011 estimated tax payments and 2010 overpayment credited to 2011 — 6a: 2,031			
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	2,031	
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		
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	324	
11	Enter the amount of line 10 to be: **Credited to 2012 estimated tax** ▶ 324 **Refunded** ▶	11		

Part VII-A Statements Regarding Activities

			Yes	No
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		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		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?	1c		X
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? *If "Yes," attach a detailed description of the activities.*	2		X
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		X
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		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? *If "Yes," attach the statement required by General Instruction T.*	5		X
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	X	
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	X	
8a	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 General (or designate) of each state as required by *General Instruction G? If "No," attach explanation*	8b	X	
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 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? *If "Yes," complete Part XIV*	9		X
10	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*	10		X

Part VII-A Statements Regarding Activities *(continued)*

			Yes	No
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 make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	

Website address ▶

14 The books are in care of ▶ Alexander M. Smith Telephone no. ▶ 425-455-0923
Located at ▶ 700 112th Avenue NE, #302, Bellevue, WA ZIP+4 ▶ 98004

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

			Yes	No
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?	16		X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶			

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

	File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.		Yes	No
1a	During the year did the foundation (either directly or indirectly):			
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☒ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☒ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☒ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☒ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☒ No			
	(6) Agree to pay money or property to a government official? (**Exception.** Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) ☐ Yes ☒ No			
b	If any answer is "Yes" to 1a(1)–(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)?	1b	N/A	
	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 2011?	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 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.)	2b	N/A	
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.)*	3b	N/A	
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 2011?	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:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see instructions) ☐ Yes ☒ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ Yes ☒ No

b If any answer is "Yes" to 5a(1)–(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)? **5b** N/A

Organizations relying on a current notice regarding disaster assistance check here ▶ ☐

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? ☐ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53.4945–5(d).

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b** No: X

If "Yes" to 6b, file Form 8870.

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☒ No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? **7b** N/A

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
Lester M. Smith POB 3010, Bellevue, WA 98009	Director (Part-time)	-0-	-0-	-0-
Bernice R. Smith POB 3010, Bellevue, WA 98009	Director (Part-time)	-0-	-0-	-0-
Alexander M. Smith POB 3010, Bellevue, WA 98009	Director (Part-time)	-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 *		
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 The only activity of the Foundation is to make charitable contributions to other qualifying exempt organizations.	902
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 * NONE *	
2 * NONE *	
All other program-related investments See instructions	
3 * NONE *	
Total. Add lines 1 through 3 . . . ▶	

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	3,445,911
b	Average of monthly cash balances	1b	1,291,455
c	Fair market value of all other assets (see instructions)	1c	-0-
d	**Total** (add lines 1a, b, and c)	1d	4,737,366
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation). 1e -0-		-0-
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	4,737,366
4	Cash deemed held for charitable activities. Enter 1 ½ % of line 3 (for greater amount, see instructions)	4	71,060
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	4,666,306
6	**Minimum investment return.** Enter 5% of line 5	6	233,315

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	233,315
2a	Tax on investment income for 2011 from Part VI, line 5 — 2a 1,707		
b	Income tax for 2011. (This does not include the tax from Part VI.) — 2b -0-		
c	Add lines 2a and 2b	2c	1,707
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	231,608
4	Recoveries of amounts treated as qualifying distributions	4	-0-
5	Add lines 3 and 4	5	231,608
6	Deduction from distributable amount (see instructions)	6	-0-
7	**Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	231,608

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	253,950
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	-0-
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	-0-
b	Cash distribution test (attach the required schedule)	3b	-0-
4	**Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	253,950
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)	5	1,707
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	252,243

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				231,608
2	Undistributed income, if any, as of the end of 2011				
a	Enter amount for 2010 only			97,090	
b	Total for prior years: 20___,20___,20___		-0-		
3	Excess distributions carryover, if any, to 2011:				
a	From 2006				
b	From 2007				
c	From 2008				
d	From 2009				
e	From 2010				
f	**Total** of lines 3a through e	-0-			
4	Qualifying distributions for 2011 from Part XII, line 4: ► $ 253,950				
a	Applied to 2010, but not more than line 2a			97,090	
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				156,860
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).)*	-0-			-0-
6	**Enter the net total of each column as indicated below:**				
a	Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	-0-			
b	Prior years' undistributed income. Subtract line 4b from line 2b		-0-		
c	Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		-0-		
d	Subtract line 6c from line 6b. Taxable amount—see 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				74,748
7	Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)	-0-			
8	Excess distributions carryover from 2006 not applied on line 5 or line 7 (see instructions)	-0-			
9	**Excess distributions carryover to 2012.** Subtract lines 7 and 8 from line 6a	-0-			
10	Analysis of line 9:				
a	Excess from 2007				
b	Excess from 2008				
c	Excess from 2009				
d	Excess from 2010				
e	Excess from 2011				

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

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2011, enter the date of the ruling . . . . ▶ N/A

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	Prior 3 years			
	(a) 2011	(b) 2010	(c) 2009	(d) 2008	(e) Total
2a 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	N/A				
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the 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).)

Lester M. Smith

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.

N/A

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:

N/A

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

N/A

c Any submission deadlines.

N/A

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

N/A

Part XV Supplementary Information (continued)

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

Recipient Name and address (home or business)	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
a *Paid during the year*				
PLEASE SEE ATTACHMENT FOR DETAILS				
Total . . . . ▶ 3a				252,848
b *Approved for future payment*				
* NONE *				
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					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	5,044	
4 Dividends and interest from securities			14	135,816	
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	56,874	
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)				197,734	

13 Total. Add line 12, columns (b), (d), and (e) **13** 197,734

(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.)
	N/A

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

			Yes	No
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?			
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.

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
		N/A	

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
N/A		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge

Signature of officer or trustee: [signature] | Date: 01/31/13 | Title: Foundation Manager

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

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no	

THE LESTER AND BERNICE SMITH FOUNDATION
ID 91-1156087

Statements attached to and made part of Form 990PF 2011 (Return of Private Foundation)

Statement I: Part 1, Line 16b Accounting fees

- Accounting Tax Service		***$200***

Statement II: Part 1, Line 16c Other professional fees

- McAdams Wright Ragen management fee		***26,577***

Statement III: Part 1, Line 18 Taxes

- 2011 Estimated tax payment		***1,850***
- Foreign Tax payment		***483***

Statement IV: Part 1, Line 23 Other Expenses

- Washington Federal - bank fees	$36	
- New Corporate Seal	34	
- State Treasurer Annual Report	10	
- State Secretary registration renewal	25	
- Charities event expenses	902	***1,007***

Statement V: Part II, Line 10b Investments - Corporate Stock

	End of year Value	
	Book	***FMV***
- ABB Ltd Spons Adr	18,823	18,060
- Boeing	51,551	70,440
- Campbell Soup	64,356	77,593
- Chesapeake Utilities	18,220	35,228
- Chevron Texaco	36,381	110,240
- Clorox Co Del Discretion	14,264	14,460
- Consolidated Edison	42,770	60,380
- Corning Inc	30,425	25,263
- Costco Wholesale	28,031	73,823
- Duke Energy	51,248	60,172
- Encana Corp	46,206	56,375
- Engility Holdings Inc Comm	Spinoff	1,577

(Continued on Page 2)

THE LESTER AND BERNICE SMITH FOUNDATION (ID 91-1156087)
(Cont.) Statements attached to and made part of Form 990PF 2011

(Cont) Statement V: Part II, Line 10b Investments - Corporate Stock

	End of year Value	
	Book	FMV
- General Mills	$36,260	$60,120
- Intel Corp	21,198	21,630
- Johnson & Johnson	92,299	113,311
- Kellogg	34,440	52,320
- Kimberly Clark	48,715	62,588
- Kohls Corp	25,249	26,640
- Kraft Foods	10,844	15,138
- L3 Communication Holdings	35,839	36,900
- Microsoft	47,591	57,080
- Mondelez Inc	20,089	26,550
- Nokia OYJ Adr	10,976	5,340
- NW Natural Gas	18,281	34,898
- Paccar Inc Del	21,545	21,685
- Peabody Energy	14,050	16,740
- Pfizer	18,802	18,653
- Philips Electronics	31,095	37,620
- Raytheon Company NW	23,362	28,280
- Spectra Energy	Spinoff	36,088
- Tesla Motors	6,991	7,033
- Transocean Ltd Switzerland	18,488	18,276
- Verizon Communications	55,764	78,119
- Washginton Federal	46,068	41,950
- Washington RE Invsmt Trust	25,863	12,855
- Wells Fargo	30,872	50,535
- Weyerhaeuser Co	20,765	55,380
	$1,117,721	***$1,539,340***

Statement VI: Part II, Line 13 Investments - Other -

	End of year Value	
	Book	FMV
- ıShares Barclay Tips	$32,795	$36,756
- Doubleline Total Return Fund	75,000	76,826
- First Eagle Global Fund	366,764	379,560
- Franklin Income Advisor	178,950	186,123
- IVA Worldwide	371,740	368,240
- Oakmark Equity & Income Fund	358,324	391,757
- Permanent Portfolio Fund	274,291	282,498
- Royce Premier Fund	100,000	90,888
- Vanguard/ Wellesley Income Fund	234,914	252,760
	$1,992,778	***$2,065,408***

THE LESTER AND BERNICE SMITH FOUNDATION (EIN # 91-1156087)
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME
(ATTACHMENT TO FORM **990-PF 2011 / PART IV 1**)

PROPERTY SOLD	P / D	DATE ACQRD	DATE SOLD	GROSS SALES PRICE	COST OF SALE	GAIN OR LOSS
Stocks:						
American Electric Power, 1500 sh	P	various/ 2003	03/27/2012	58,005	43,752	14,253
Best Buy Inc, 600 sh	P	01/17/2012	04/03/2012	14,245	14,758	(513)
Conagra Foods, 500 sh	P	08/19/2005	05/02/2012	12,867	11,867	1,000
Dupont De Nemours, 750 sh	P	10/31/2005	04/05/2012	39,525	31,716	7,810
HJ Heinz, 750 sh	P	07/25/2003	04/05/2012	39,923	25,438	14,485
iShares Barclays, 395 sh	P	03/31/2011	03/27/2012	46,571	43,181	3,391
iShares MSCI Emerging Mkts, 806 sh	P	various/ 2011	12/06/2011	32,281	38,834	(6,553)
iShares Russell Midcap, 500 sh	P	06/22/2011	03/27/2012	24,250	23,609	641
Safeway Inc, 1000 sh	P	01/17/2012	04/05/2012	19,743	21,146	(1,404)
Target, 500 sh	P	05/23/2012	08/16/2012	31,930	28,204	3,726
Templeton Global Bond, 8059 sh	P	various/ 2009-11	05/02/2012	105,574	106,539	(965)
United Parcel Svc, 750 sh	P	11/07/2005	04/05/2012	60,024	45,270	14,754
US Bancorp Del New, 750 sh	D	12/23/2003	03/20/2012	23,844	14,434	9,410
Vanguard MSCI, 1118 sh	P	various/ 2011	03/27/2012	38,348	42,321	(3,973)
Walmart, 750 sh	D	06/27/2008	04/05/2012	45,443	42,225	3,218
Weyerhaeuser Co, 1000 sh	P	06/17/2003	10/31/2012	27,631	20,765	6,866
Mutual Funds:						
First Eagle Gold Fund, 2197.978 sh	P	various/ 2009-11	05/07/2012	58,093	55,034	3,058
First Eagle Gold Fund, 98.808 sh	P	12/14/2011	05/07/2012	2,611	3,016	(404)
First Eagle High Yield, 10324.75 sh	P	various/ 2012	06/05/2012	98,292	100,604	(2,312)
Franklin Inc Adv, 84457.642 sh	P	various/ 1996	05/08/2012	179,895	180,302	(408)
Matthews Asia, 6237.735 sh	P	various/ 2011	12/06/2011	78,570	87,774	(9,204)
				$1,037,664		$56,874

THE LESTER AND BERNICE SMITH FOUNDATION (EIN # 91-1156087)

CONTRIBUTIONS PAID DURING THE FISCAL YEAR **11/01/11 - 10/31/12**

(ATTACHMENT TO FORM 990-PF **2011** / PART XV 3a)

RECIPIENTS' NAME & ADDRESS	***RELATIONS***	***STATUS***	***PURPOSE***	***AMOUNT***
Bellevue Rotary Foundation PO Box 523, Bellevue, WA 98009	n/a	501 C 3	General Operation	$1,350
Bellevue Schools Foundation PO Box 40644, Bellevue, WA 98015	n/a	501 C 3	General Operation	970
Credit Union for Kids 1121 SW Salmon St, #100, Portland, OR 97205	n/a	501 C 3	General Operation	500
Cuyamungue/Felicitas Goodman Institute 20A Feather Catcher Rd, Santa Fe, NM 87506	n/a	501 C 3	General Operation	40,000
Eastside Academy 1717 Bellevue Way NE, Bellevue, WA 98004	n/a	501 C 3	General Operation	5,000
Employee Assistance Fund for Alaska Airline 19530 International Blvd, #108, Seattle, WA 98188	n/a	501 C 3	General Operation	2,500
Fred Hutchinson Cancer Research Center PO Box 4184, Bellevue, WA 98009	n/a	501 C 3	General Operation	4,128
Friends of San Juan Island Library PO Box 786, Friday Harbor, WA 98250	n/a	501 C 3	General Operation	600
Junior Achievement of Washington 1700 Westlake Ave N, #400, Seattle, WA 98109	n/a	501 C 3	General Operation	5,000
King County Sexual Assault Resource Center PO Box 300, Renton, WA 98057	n/a	501 C 3	General Operation	5,000
March of Dimes 675 Oak Street, #310, Eugene, OR 97401	n/a	501 C 3	March for Babies	2,500
Marsha Rivkin Ctr for Ovarian Cancer 801 Broadway, Ste 701, Seattle, WA 98122	n/a	501 C 3	Medical Reserch	50,000
Mary Bridge Children's Foundation PO Box 5296, Tacoma, WA 98415	n/a	501 C 3	General Operation	7,500
Marylhurst Universisty PO Box 261, Marylhurst, OR 97036	n/a	501 C 3	Annual Fund	5,000
NeighborCare Health 1537 Western Ave, Seattle, WA 98101	n/a	501 C3	General Operation	500
Overlake Hospital Foundation 1035 116th Avenue NE, Bellevue, WA 98004	n/a	501 C 3	General Operation	15,000
Progeria Research Foundation PO Box 3453, Peabody, MA 01961	n/a	501 C 3	Medical Reserch	1,000
Renton Community Foundation PO Box 820, Renton, WA 98057	n/a	501 C 3	Renton Schools Fund	10,000
Renton Community Foundation PO Box 820, Renton, WA 98057	n/a	501 C 3	General Operation	5,000
Seafair Foundation 2200 6th Avenue, #400, Seattle, WA 98121	n/a	501 C 3	General Operation	3,000
Seattle Center Foundation 305 Harrison St, #317. Seattle, WA 98109	n/a	501 C 3	General Operation	2,100

(Continued on Page 2)

THE LESTER AND BERNICE SMITH FOUNDATION (EIN # 91-1156087)

(CONT) CONTRIBUTIONS PAID DURING THE FISCAL YEAR **11/01/11 - 10/31/12**

(CONTINUED: ATTACHMENT TO FORM 990-PF 2011 / PART XV 3a)

RECIPIENTS' NAME & ADDRESS	***RELATIONS***	***STATUS***	***PURPOSE***	***AMOUNT***
Seattle Children's Autism Guild 4800 Sand Point Way NE, Seattle, WA 98105	n/a	501 C 3	General Operation	5,000
Seattle Rotary Service Foundation 1215 4th Ave, #1215, Seattle, WA 98161	n/a	501 C 3	Food & Other Care	1,000
See Ya Later Foundation PO Box 8, Auburn, WA 98071	n/a	501 C 3	General Operation	600
The Els for Autism Foundation 3900 Military Trail, #200, Jupiter, FL 33458	n/a	501 C 3	General Operation	500
The Healing Center 6409-1/2 Roosevelt Way NE, Seattle, WA 98115	n/a	501 C 3	General Operation	3,600
Washington Policy Center PO Box 3643, Seattle, WA 98124-3643	n/a	501 C 3	General Operation	5,000
World Vision PO Box 391, Friday Harbor, WA 98250	n/a	501 C 3	General Operation	50,000
YMCA of Greater Seattle 909 4th Avenue, Seattle, WA 98104	n/a	501 C 3	Partner w/ Youth	10,000
YMCA of Snohomish County 2720 Rockefeller Ave, Everett, WA 98206	n/a	501 C 3	General Operation	5,000
YWCA 1118 5th Ave, Seattle, WA 98101	n/a	501 C 3	General Operation	5,500
	TOTAL 3a			**$252,848**