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

2012

Department of the Treasury
Internal Revenue Service

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

For calendar year 2012, or tax year beginning

RFC E 2012 and ending

KRAUSE FAMILY FOUNDATION, INC.
5225 NORTH IRONWOOD ROAD #109
GLENDALE, WI 53217

399 MAY 29 2013 IRS-OSO

OGDEN UT

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, column (c), line 16) **J** Accounting method: Cash Accrual
 Other (specify) (Part I, column (d) must be on cash basis) **► \$ 5,363,500.**

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)
REVENUE	1 Contributions, gifts, grants, etc, received (att sch)				
	2 Ck <input checked="" type="checkbox"/> if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments	27,000.	27,000.		
	4 Dividends and interest from securities	123,329.	123,329.		
	5 a Gross rents				
	b Net rental income or (loss)				
	6 a Net gain/(loss) from sale of assets not on line 10	159,032.			
	b Gross sales price for all assets on line 6a	779,421.			
	7 Capital gain net income (from Part IV, line 2)		159,032.		
	8 Net short-term capital gain				
	9 Income modifications				
	10 a Gross sales less returns and allowances				
b Less: Cost of goods sold					
c Gross profit/(loss) (att sch)					
11 Other income (attach schedule)					
SEE STATEMENT 1	6,260.	6,260.			
12 Total. Add lines 1 through 11	315,621.	315,621.	0.		
OPERATING AND EXPENSES	13 Compensation of officers, directors, trustees, etc.	0.			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16 a Legal fees (attach schedule)				
	b Accounting fees (attach sch) SEE ST. 2	5,079.	5,079.		
	c Other prof fees (attach sch) SEE ST. 3	42,579.	42,579.		
	17 Interest				
	18 Taxes (attach schedule) SEE STM. 4	20,133.	20,133.		
	19 Depreciation (attach sch) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)				
	SEE STATEMENT 5	1,610.	1,610.		
24 Total operating and administrative expenses. Add lines 13 through 23	69,401.	69,401.			
25 Contributions, gifts, grants paid STM. 6	528,068.			528,068.	
26 Total expenses and disbursements. Add lines 24 and 25	597,469.	69,401.	0.	528,068.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	-281,848.				
b Net investment income (if negative, enter -0)		246,220.			
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
A S S E T S	1	Cash – non-interest-bearing		
	2	Savings and temporary cash investments	46,617.	46,607.
	3	Accounts receivable	1,051.	
		Less: allowance for doubtful accounts ►	1,048.	1,051.
	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 sch.)		
		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)	2,674,567.	2,454,943.
	c	Investments – corporate bonds (attach schedule)	559,075.	497,204.
	11	Investments – land, buildings, and equipment: basis		
		Less: accumulated depreciation (attach schedule)		
	12	Investments – mortgage loans		
	13	Investments – other (attach schedule)	87,250.	63,377.
	14	Land, buildings, and equipment: basis ►		
		Less: accumulated depreciation (attach schedule)		
	15	Other assets (describe ►)		
	16	Total assets (to be completed by all filers – see the instructions. Also, see page 1, item I)	3,368,557.	3,063,182.
L I A B I T I E S	17	Accounts payable and accrued expenses		
	18	Grants payable		
	19	Deferred revenue		
	20	Loans from officers, directors, trustees, & other disqualified persons		
	21	Mortgages and other notes payable (attach schedule)		
	22	Other liabilities (describe ►)		
	23	Total liabilities (add lines 17 through 22)	0.	0.
		Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31.	<input checked="" type="checkbox"/>	
	24	Unrestricted	2,094,938.	1,789,563.
	25	Temporarily restricted		
	26	Permanently restricted	1,273,619.	1,273,619.
		Foundations that do not follow SFAS 117, check here and complete lines 27 through 31.	<input type="checkbox"/>	
	27	Capital stock, trust principal, or current funds		
	28	Paid-in or capital surplus, or land, building, and equipment fund		
	29	Retained earnings, accumulated income, endowment, or other funds		
	30	Total net assets or fund balances (see instructions)	3,368,557.	3,063,182.
	31	Total liabilities and net assets/fund balances (see instructions)	3,368,557.	3,063,182.

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	3,368,557.
2	Enter amount from Part I, line 27a	2	-281,848.
3	Other increases not included in line 2 (itemize)	3	
4	Add lines 1, 2, and 3	4	3,086,709.
5	Decreases not included in line 2 (itemize) ► SEE STATEMENT 7	5	23,527.
6	Total net assets or fund balances at end of year (line 4 minus line 5) – Part II, column (b), line 30	6	3,063,182.

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 shares MLC Company)			(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1 a SEE STATEMENT 8					
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					
b					
c					
d					
e					
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69					
(i) Fair Market Value as of 12/31/69		(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	(l) Gains (Column (h)) gain minus column (k), but not less than -0- or Losses (from column (h))	
a					
b					
c					
d					
e					
2 Capital gain net income or (net capital loss).		If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7		2	159,032.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6):				3	0.
If gain, also enter in Part I, line 8, column (c) (see instructions). If (loss), enter -0- in Part I, line 8.					

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 (column (b) divided by column (c))
2011	274,004.	5,621,086.	0.048746
2010	263,912.	5,229,480.	0.050466
2009	240,064.	4,855,843.	0.049438
2008	306,214.	5,976,853.	0.051233
2007	338,317.	6,880,049.	0.049174

2 Total of line 1, column (d)	2	0.249057
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	0.049811
4 Enter the net value of noncharitable-use assets for 2012 from Part X, line 5	4	5,514,905.
5 Multiply line 4 by line 3	5	274,703.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	2,462.
7 Add lines 5 and 6	7	277,165.
8 Enter qualifying distributions from Part XII, line 4	8	528,068.

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 <input type="checkbox"/> and enter 'N/A' on line 1.	
Date of ruling or determination letter: _____ (attach copy of letter if necessary – see instrs)	
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b	1 2,462.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, column (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 2,462.
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 2,462.
6 Credits/Payments:	
a 2012 estimated tax prnts and 2011 overpayment credited to 2012	6a 5,820.
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 5,820.
8 Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> 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	9 0.
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid.	10 3,358.
11 Enter the amount of line 10 to be: Credited to 2013 estimated tax ► 2,480. Refunded ► 11 878.	

Part VII-A Statements Regarding Activities

	Yes	No
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 X	
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1b X	
<i>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.</i>		
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 ► \$ 0. (2) On foundation managers ► \$ 0.		0.
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ► \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <i>If 'Yes,' attach a detailed description of the activities.</i>	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? <i>If 'Yes,' attach a conformed copy of the changes</i>	3 X	
4 a 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? <i>If 'Yes,' attach the statement required by General Instruction T.</i>	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?		
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If 'Yes,' complete Part II, column (c), and Part XV.</i>	7 X	
8 a Enter the states to which the foundation reports or with which it is registered (see instructions). ► WI		
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? <i>If 'No,' attach explanation</i>	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 2012 or the taxable year beginning in 2012 (see instructions for Part XIV)? <i>If 'Yes,' complete Part XIV.</i>	9 X	
10 Did any persons become substantial contributors during the tax year? <i>If 'Yes,' attach a schedule listing their names and addresses</i>	10 X	

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Part VIA 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 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? Website address ► N/A	13	X	
14	The books are in care of ► CHARLES A. KRAUSE Located at ► 5225 N. IRONWOOD SUITE 109 GLENDALE WI	Telephone no. ► (414) 963-8688 ZIP + 4 ► 53217		
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 2012, 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

Part VIB 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
1 a	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?	<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	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. ►	1 b	N/A
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 2012?	1 c	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 2012, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2012? If 'Yes,' list the years ► 20 __ , 20 __ , 20 __ , 20 __	2 a	
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.)	2 b	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 __	2 c	
3 a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b	If 'Yes,' did it have excess business holdings in 2012 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 2012.)	3 b	N/A
4 a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4 a	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 2012?	4 b	X

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Form 990-PF (2012)

Part VI(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)?

c If the answer is 'Yes' to question 5a(4), does the foundation claim exemption tax because it maintained expenditure responsibility for the grant?
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?

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

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? **N/A**

Part VIII: Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Other Key Executives

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
CAROL K. WYTHES 5225 N. IRONWOOD RD SUITE 109 GLENDALE, WI 53217	PRESIDENT 0	0.	0.	0.
CHARLES A. KRAUSE 5225 N. IRONWOOD RD SUITE 109 GLENDALE, WI 53217	SECRETARY/TR 0	0.	0.	0.
VICTORIA KRAUSE MAYER 5225 N. IRONWOOD RD SUITE 109 GLENDALE, WI 53217	ASST. SECRET 0	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
<u>NONE</u>				

Total number of other employees paid over \$50 000

0

Part VII 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 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	<u>N/A</u>	
2		
3		
4		

Part IX-B Summary of Program-Related Investments (see instructions)

All other program-related investments. See instructions.

3

Form 990-BF (2012)

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Form 990-PF (2012)

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	5,484,632.
b Average of monthly cash balances.....	1b	114,256.
c Fair market value of all other assets (see instructions)	1c	
d Total (add lines 1a, b, and c)	1d	5,598,888.
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	5,598,888.
4 Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	83,983.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4.....	5	5,514,905.
6 Minimum investment return. Enter 5% of line 5	6	275,745.

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	275,745.
2a Tax on investment income for 2012 from Part VI, line 5	2a	2,462.
b Income tax for 2012. (This does not include the tax from Part VI.)	2b	
c Add lines 2a and 2b	2c	2,462.
3 Distributable amount before adjustments. Subtract line 2c from line 1.....	3	273,283.
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4.....	5	273,283.
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	273,283.

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	528,068.
b Program-related investments – total from Part IX-B.....	1b	
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	528,068.
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	2,462.
6 Adjusted qualifying distributions. Subtract line 5 from line 4	6	525,606.

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 2011	(c) 2011	(d) 2012
1 Distributable amount for 2012 from Part XI, line 7				273,283.
2 Undistributed income, if any, as of the end of 2012:			0.	
a Enter amount for 2011 only		0.		
b Total for prior years: 20 ____, 20 ____, 20 ____		0.		
3 Excess distributions carryover, if any, to 2012:				
a From 2007....	3,798.			
b From 2008.	8,473.			
c From 2009.	1,327.			
d From 2010.	3,770.			
e From 2011.	700.			
f Total of lines 3a through e.....	18,068.			
4 Qualifying distributions for 2012 from Part XII, line 4: ► \$ 528,068.			0.	
a Applied to 2011, 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 2012 distributable amount.				273,283.
e Remaining amount distributed out of corpus.	254,785.			0.
5 Excess distributions carryover applied to 2012	0.			
<i>(If an amount appears in column (d), the same amount must be shown in column (a).)</i>				
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	272,853.			
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 2011. Subtract line 4a from line 2a. Taxable amount – see instructions.			0.	
f Undistributed income for 2012. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2013.				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).....	0.			
8 Excess distributions carryover from 2007 not applied on line 5 or line 7 (see instructions).	3,798.			
9 Excess distributions carryover to 2013. Subtract lines 7 and 8 from line 6a.. .	269,055.			
10 Analysis of line 9:				
a Excess from 2008. ...	8,473.			
b Excess from 2009.	1,327.			
c Excess from 2010.. .	3,770.			
d Excess from 2011. ...	700.			
e Excess from 2012.	254,785.			

BAA

Form 990-PF (2012)

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

N/A

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 2012, enter the date of the ruling	►				
b Check box to indicate whether the foundation is a private operating foundation described in section	<input type="checkbox"/> 4942(j)(3) or				<input type="checkbox"/> 4942(j)(5)
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)(ii)					
(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).)

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 or e-mail 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 XVI 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>				
Total				► 3a
<i>b Approved for future payment</i>				
Total				► 3b

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

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) Exclu- sion 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	27,000.	
4 Dividends and interest from securities			14	123,329.	
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			15	13,045.	
8 Gain or (loss) from sales of assets other than inventory			18	153,218.	5,814.
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue:					
a <u>EL PASO PIPELINE PARTNERS</u>			1	770.	
b <u>KINDER MORGAN ENERGY PRNT</u>			1	-1,352.	
c <u>WILLIAMS PARTNERS LP</u>			1	-6,203.	
d					
e					
12 Subtotal. Add columns (b), (d), and (e).				309,807.	5,814.
13 Total. Add line 12, columns (b), (d), and (e).				13	315,621.

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

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

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:

b Other transactions:

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees.

	Yes	No
1 a (1)		X
1 a (2)		X
1 b (1)		X
1 b (2)		X
1 b (3)		X
1 b (4)		X
1 b (5)		X
1 b (6)		X
1 c		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		
	</td	

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

**Sign
Here**

Charles C. Krause
Signature of officer or trustee

15/20/13

PRESIDENT
Title

May the IRS discuss this return with the preparer shown below (see instructions)?

Signature of filer or trustee		Date	Date	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	JENNIFER BOGLI	JENNIFER BOGLI	5/16/13	P00151743	
	Firm's name	► JAMES L. MOHR & ASSOCIATES LLP		Firm's EIN ► 39-2032480	
Firm's address	► 10700 RESEARCH DRIVE, SUITE 145 MILWAUKEE, WI 53226		Phone no (414) 302-4020		

BAA

2012

FEDERAL STATEMENTS

PAGE 1

KRAUSE FAMILY FOUNDATION, INC.

39-6044820

STATEMENT 1
FORM 990-PF, PART I, LINE 11
OTHER INCOME

	(A) REVENUE PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME
EL PASO PIPELINE PARTNERS	\$ 770.	\$ 770.	
KINDER MORGAN ENERGY PRTN	-1,352.	-1,352.	
OTHER INVESTMENT INCOME	13,045.	13,045.	
WILLIAMS PARTNERS LP	-6,203.	-6,203.	
TOTAL	\$ 6,260.	\$ 6,260.	0.

STATEMENT 2
FORM 990-PF, PART I, LINE 16B
ACCOUNTING FEES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ACCOUNTING SERVICES	\$ 3,534.	\$ 3,534.		
TAX PREPARATION	1,545.	1,545.		
TOTAL	\$ 5,079.	\$ 5,079.	\$ 0.	0.

STATEMENT 3
FORM 990-PF, PART I, LINE 16C
OTHER PROFESSIONAL FEES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
INVESTMENT COUNSELING	\$ 42,237.	\$ 42,237.		
PASS THRU FEES	167.	167.		
TERMINATION FEE	150.	150.		
WIRE TRANSFER FEE	25.	25.		
TOTAL	\$ 42,579.	\$ 42,579.	\$ 0.	0.

STATEMENT 4
FORM 990-PF, PART I, LINE 18
TAXES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
2011 EXTENSION PAYMENT	\$ 9,000.	\$ 9,000.		
2012 ESTIMATED TAXES	3,890.	3,890.		
FOREIGN TAX PAID	5,490.	5,490.		
SEVERENCE TAX	1,753.	1,753.		
TOTAL	\$ 20,133.	\$ 20,133.	\$ 0.	0.

2012

FEDERAL STATEMENTS

PAGE 2

KRAUSE FAMILY FOUNDATION, INC.

39-6044820

STATEMENT 5
FORM 990-PF, PART I, LINE 23
OTHER EXPENSES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ADMIN EXPENSE ON ROYALTIES.. . .	\$ 305.	\$ 305.		
ANNUAL REPORT FEE	10.	10.		
MEETING EXPENSE	428.	428.		
OFFICE EXPENSE.....	322.	322.		
OTHER EXPENSES.....	400.	400.		
POSTAGE & COPY EXPENSE..... . .	145.	145.		
TOTAL	\$ 1,610.	\$ 1,610.	\$ 0.	0.

STATEMENT 6
FORM 990-PF, PART I, LINE 25
CONTRIBUTIONS, GIFTS, AND GRANTS

CASH GRANTS AND ALLOCATIONS

CLASS OF ACTIVITY:	GENERAL OPERATING
DONEE'S NAME:	SEE ATTACHED STATEMENT #
DONEE'S ADDRESS:	
RELATIONSHIP OF DONEE:	NONE
ORGANIZATIONAL STATUS OF DONEE:	PUBLIC
AMOUNT GIVEN:	\$ 528,068.
	TOTAL \$ 528,068.

STATEMENT 7
FORM 990-PF, PART III, LINE 5
OTHER DECREASES

BOND PREMIUM AMORTIZATION	\$ 12,539.
RETURN OF CAPITAL ON VARIOUS INVESTMENTS	10,988.
TOTAL	\$ 23,527.

STATEMENT 8
FORM 990-PF, PART IV, LINE 1
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME

ITEM	(A) DESCRIPTION	(B) HOW ACQUIRED	(C) DATE ACQUIRED	(D) DATE SOLD
1	CHARLES SCHWAB LONG TERM	PURCHASED	VARIOUS	VARIOUS
2	CHARLES SCHWAB SHORT TERM	PURCHASED	VARIOUS	VARIOUS
3	ROBERT W. BAIRD LONG TERM	PURCHASED	VARIOUS	VARIOUS
4	ROBERT W. BAIRD SHORT TERM	PURCHASED	VARIOUS	VARIOUS
5	AT&T GLOBAL NOTE	PURCHASED	2/18/2010	6/29/2012
6	LITIGATION SETTLEMENT-DENDREON	PURCHASED	VARIOUS	4/27/2012
7	LITIGATION SETTLEMENT-VERITAS	PURCHASED	VARIOUS	10/19/2012
8	CAPITAL GAIN DIVIDENDS			

KRAUSE FAMILY FOUNDATION, INC.

39-6044820

STATEMENT 8 (CONTINUED)
FORM 990-PF, PART IV, LINE 1
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME

ITEM	(E) GROSS SALES	(F) DEPREC. ALLOWED	(G) COST BASIS	(H) GAIN (LOSS)	(I) FMV 12/31/69	(J) ADJ. BAS. 12/31/69	(K) EXCESS (I) - (J)	(L) GAIN (LOSS)
1	252,917.		152,768.	100,149.				\$ 100,149.
2	42,684.		37,566.	5,118.				5,118.
3	386,415.		345,231.	41,184.				41,184.
4	41,591.		34,824.	6,767.				6,767.
5	54,042.		50,000.	4,042.				4,042.
6	1,021.		0.	1,021.				1,021.
7	237.		0.	237.				237.
8								514.
							TOTAL	<u>\$ 159,032.</u>

KRAUSE FAMILY FOUNDATION

CONTRIBUTIONS January 1 through December 31, 2012

Aurora Visiting Nurse Assn. of Wisconsin	\$2,000
Betty Brinn Children's Museum	1,000
Boys & Girls Clubs of Greater Milw.- Oper.	6,000
Children's Hospital and Health System	1,000
Children's Service Society of Wisconsin	1,000
COA Youth and Family Centers	2,000
College Possible	1,000
Curative Foundation	3,000
Greater Milwaukee Foundation	1,000
The Heartland Institute	1,000
Hope House of Milwaukee Inc.	1,000
Hunger Task Force of Milwaukee	5,000
International Crane Foundation	6,000
Kids From Wisconsin	6,000
Kradwell School - Operating Fund	2,000
Latino Community Center	1,000
Literacy Services of Wisconsin Inc.	1,000
MACC Fund	1,000
Make A Difference - Wisconsin Inc.	2,000
Medical College of Wisconsin	4,000
Milwaukee Academy of Science	3,000
Milwaukee Art Museum - Operating	2,000
Milwaukee Ballet	1,000
Milwaukee Public Museum, Friends - Operating Fund	25,000
Milwaukee Rescue Mission	5,000
Milwaukee Symphony Friends	30,000
Milwaukee Symphony Orchestra - ACE	5,000
Milwaukee Symphony Orchestra - Principal French Horn Chair	250,000
Milwaukee Tennis & Education Foundation	1,000
Milwaukee Wave of Kindness, Inc.	25,000
MPTV Friends (Channel 10/36 Friends)	1,000
MYSO - Fran's Fund	1,000
Neighborhood House of Milw.Inc.- Oper.	4,000
Our Next Generation Inc.	2,000
PAVE	3,000
Pearls for Teen Girls Inc.	2,000
Planned Parenthood of Wisconsin, Inc.	1,000

KRAUSE FAMILY FOUNDATION

CONTRIBUTIONS

January 1 through December 31, 2012

Riveredge Nature Center	1,000
Rosalie Manor Commun. & Fam.Svcs.	2,000
Running Rebels Community Organization	2,000
Safe & Sound	2,000
Salvation Army	15,000
Schlitz Audubon Nature Center, Friends of	3,000
School Choice Wisconsin	1,000
Silver Spring Neighborhood Center	4,000
Skylight Opera Theatre	5,000
Sojourner Family Peace Center	4,000
Ten Chimneys	4,000
United Performing Arts Fund Inc.	10,000
University School - AIE	7,000
Urban Ecology Center	25,000
WCCF - Business World	2,000
Wisconsin Found. of Independent Colleges	1,000
Wisconsin Humane Society	3,000
Wisconsin Taxpayers Alliance	2,000
Wisconsin Women's Business Initiative	3,000
Women's Fund of Greater Milwaukee	1,000
Zoological Society - Platypus Society	2,000
	<u>\$508,000</u>

MATCHING GIFT PROGRAM

Jumpstart for Young Children Inc.	\$12,000.00
Make-A-Wish Foundation of Metro New York	400.00
Middlebury College - Alumni Fud	80.00
New York Women's Foundation	800.00
Pan-Massachusetts Challenge	240.00
Pine Island Camp	240.00
Princeton University	800.00
Riverdale Country School	80.00
Roman Catholic Diocese of Charlotte	288.00
Rye Country Day School	360.00
St. Mark Catholic Church	2,360.00
Stamford Hospital Foundation	260.00
World Team Sports	160.00
Yale University	2,000.00
	<u>\$20,068.00</u>

Application for Extension of Time To File an
Exempt Organization Return

OMB No 1545-1709

Department of the Treasury
Internal Revenue Service

► 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 extention 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.

Enter filer's identifying number, see instructions

Type or print	Name of exempt organization or other filer, see instructions KRAUSE FAMILY FOUNDATION, INC.	Employer identification number (EIN) or 39-6044820
File by the due date for filing your return. See instructions.	Number, street, and room or suite number. If a P.O. box, see instructions. 5225 NORTH IRONWOOD ROAD #109	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions GLENDALE, WI 53217	

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

04

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

- The books are in the care of ► **CHARLES A. KRAUSE**

Telephone No. ► **(414) 963-8688** FAX No. ► **(414) 963-8699**

- 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 8/15, 20 13, to file the exempt organization return for the organization named above.

The extension is for the organization's return for:

- calendar year 20 12 or
- tax year beginning , 20 , and ending , 20

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 \$ 2,462.
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 \$ 5,820.
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.